

Transferability of Human Resource Policies and Practices: American Multinationals in Turkey

Harman

By

Kadire Zeynep Sayım

A thesis submitted in partial fulfilment of the requirements for the degree of Doctor of
Philosophy in Business and Management.

January 2008

De Montfort University, Faculty of Business and Law.

The thesis represents the candidate's own work and has not been submitted for a degree at another University.

To all my parents,

Muallâ and Nusret Sayım, my mom and dad;

Meg and Nick Bond, my 'adopted' parents;

Ayla and Vahit Yazal, my parents-in-law.

ABSTRACT	IX
ACKNOWLEDGMENTS	X
CHAPTER 1. INTRODUCTION	1
1.1. INTRODUCTION	1
1.2. OVERVIEW AND OUTLINE OF THE THESIS	3
1.3. CONCLUSION	6
CHAPTER 2. LITERATURE REVIEW AND SETTING THE ANALYTICAL FRAMEWORK	7
2.1. INTRODUCTION	7
2.2. LITERATURE REVIEW	7
2.2.1. <i>CONVERGENCE DEBATE</i>	7
2.2.2. <i>DIVERGENCE DEBATE</i>	9
2.2.2.1. The Culturalist Approach	9
2.2.2.2. The Institutional Perspective	11
2.2.3. <i>COMPARATIVE INSTITUTIONALISM: BUSINESS SYSTEMS APPROACH</i>	13
Institutional Robustness versus Mechanisms of Transformation	15
Intermediate Levels of Analysis: Below the National Business Systems	18
2.3. TRANSFER OF HRM POLICIES BETWEEN NATIONAL BUSINESS SYSTEMS	19
2.4. ANALYTICAL FRAMEWORK: UNDERSTANDING HRM POLICIES AND PRACTICES IN MNCs' SUBSIDIARIES	23
2.4.1. <i>MACRO-LEVEL ANALYSIS: HOST-COUNTRY AND HOME-COUNTRY INFLUENCES</i>	24
2.4.1.1. National Business Systems	24
2.4.1.2. Conceptualising a 'Hybrid Transitional' Business System	27
2.4.2. <i>MESO-LEVEL ANALYSIS: SECTORAL INFLUENCES</i>	31
2.4.3. <i>MICRO-LEVEL ANALYSIS: ORGANISATIONAL INFLUENCES</i>	32
2.4.4. <i>FUNCTIONAL-LEVEL ANALYSIS</i>	33
2.5. CONCLUSION	34
CHAPTER 3. RESEARCH METHODOLOGY	35
3.1. INTRODUCTION	35
3.2. RESEARCH DESIGN	35
3.2.1. <i>RATIONALE FOR STUDYING AMERICAN MNCs</i>	35
3.2.2. <i>RATIONALE FOR STUDYING TURKEY AS THE HOST COUNTRY</i>	38
3.2.3. <i>RESEARCH QUESTIONS AND QUALITATIVE CASE STUDIES</i>	38

3.3.	SELECTION OF CASES	40
3.3.1.	<i>SIZE OF THE COMPANY</i>	40
3.3.2.	<i>OWNERSHIP STRUCTURE</i>	41
3.3.3.	<i>SECTOR</i>	42
3.3.4.	<i>UNIONISATION</i>	45
3.4.	DATA COLLECTION	47
3.4.1.	<i>GAINING ACCESS</i>	47
3.4.2.	<i>FIELDWORK</i>	49
3.4.3.	<i>INTERVIEWS</i>	50
3.4.4.	<i>DOCUMENT ANALYSIS</i>	54
3.4.5.	<i>OBSERVATION</i>	54
3.4.6.	<i>VALIDITY AND RELIABILITY ISSUES</i>	55
3.4.7.	<i>GENERALISABILITY OF CASE STUDIES</i>	57
3.5.	DATA ANALYSIS	58
3.6.	CONCLUSION	58
CHAPTER 4. TURKEY AS A 'HYBRID TRANSITIONAL' HOST COUNTRY		59
4.1.	INTRODUCTION	59
4.2.	SOCIO-POLITICAL AND ECONOMIC BACKGROUND OF TURKEY	59
4.3.	ELEMENTS OF THE SOCIAL-INSTITUTIONAL ENVIRONMENT	66
4.3.1.	<i>THE ROLE OF THE STATE</i>	68
4.3.2.	<i>EDUCATIONAL SYSTEM AND SKILLS DEVELOPMENT</i>	69
4.3.3.	<i>FINANCIAL SYSTEM</i>	71
4.3.4.	<i>INDUSTRIAL RELATIONS SYSTEM</i>	72
4.3.4.1.	Role of the State and Legal Framework	72
4.3.4.2.	Unionisation and Collective Bargaining	74
4.3.4.3.	Unionisation In Foreign Capital Companies	77
4.3.5.	<i>BUSINESS ASSOCIATIONS</i>	79
4.4.	CONCLUSION: TURKEY AS A 'HYBRID TRANSITIONAL' HOST COUNTRY	80
CHAPTER 5. AMERICAN BUSINESS SYSTEM AND HOME-COUNTRY INFLUENCES		84
5.1.	INTRODUCTION	84
5.2.	DISTINCTIVE FEATURES OF THE AMERICAN BUSINESS SYSTEM	84
5.2.1.	<i>ROLE OF THE STATE AND BUSINESS ASSOCIATIONS</i>	84
5.2.2.	<i>FINANCIAL SYSTEM</i>	85
5.2.3.	<i>EDUCATIONAL SYSTEM AND SKILL FORMATION</i>	86
5.2.4.	<i>INDUSTRIAL RELATIONS AND LABOUR MARKETS</i>	87

5.3.	US BUSINESS SYSTEM AND IMPLICATIONS FOR THE INTERNATIONAL TRANSFER OF IR/HRM POLICIES _____	90
5.4.	CONCLUSION _____	92
CHAPTER 6. EMPLOYMENT SYSTEMS AND LABOUR MARKET ORIENTATIONS OF US MNCs IN THE TURKISH BUSINESS SYSTEM _____		94
6.1.	INTRODUCTION _____	94
6.2.	CHOICE OF EMPLOYMENT SYSTEMS AND US COMPANIES _____	96
6.3.	INSTITUTIONAL INFLUENCES OF TURKISH LABOUR MARKET ON EMPLOYMENT SYSTEMS OF US MNCs _____	98
6.3.1.	<i>CHARACTERISTICS OF LABOUR MARKET</i> _____	98
6.3.2.	<i>INFLUENCES OF THE ECONOMIC, POLITICAL AND LEGAL ENVIRONMENT</i> _____	99
6.3.3.	<i>ISSUES IN FINDING CANDIDATES WITH THE REQUIRED QUALIFICATIONS</i> _____	101
6.4.	EMPLOYMENT SYSTEMS AT US MNCs _____	103
6.4.1.	<i>ILM ORIENTATION OF US MNCs IN TURKEY</i> _____	103
6.4.2.	<i>INTERACTION OF SECTOR AND NBS EFFECTS AND CHOICE OF EMPLOYMENT SYSTEMS</i> _____	104
6.4.3.	<i>ILM MODELS IN THE CORE MANUFACTURING COMPANIES</i> _____	107
6.4.4.	<i>ILM MODELS IN THE CORE SERVICE COMPANIES</i> _____	112
6.4.5.	<i>ILM APPROACH FOR WHITE-COLLAR EMPLOYEES</i> _____	115
6.5.	COMPLEMENTARY POLICIES FOR ILM APPROACH: COMBINED USE OF LOCAL AND CORPORATE METHODS FOR RECRUITMENT AND SELECTION _____	117
6.5.1	<i>RECRUITMENT TOOLS USED: COMBINING LOCAL AND IMPORTED</i> ____	117
6.5.2.	<i>SOPHISTICATED SELECTION STRATEGIES</i> _____	120
6.6.	RETENTION: CHALLENGES AND SOLUTIONS _____	123
6.7.	CONCLUSION _____	126
CHAPTER 7. PAY AND PERFORMANCE MANAGEMENT SYSTEMS _____		128
	INTRODUCTION _____	128
7.2.	HOST-COUNTRY FACTORS INFLUENCING PAY AND PM SYSTEMS OF AMERICAN MNCs _____	130
7.3.	REWARD SYSTEMS IN US MNCs IN TURKEY _____	134
7.3.1.	<i>SALARY STRUCTURES, POSITION IN THE MARKET AND CORPORATE POLICY</i> 135	
7.3.2.	<i>PAY FOR PERFORMANCE</i> _____	140

7.3.2.1.	Annual Salary Increases	140
7.3.2.2.	Bonuses and Awards	143
7.3.3.	<i>BENEFITS: POLICY AND APPLICATIONS</i>	146
7.4.	PERFORMANCE MANAGEMENT SYSTEMS (PMS)	150
7.4.1.	<i>PARTICIPATORY AND DEVELOPMENTAL PE PROCESS</i>	153
7.4.2.	<i>FORCED DISTRIBUTIONS</i>	155
7.4.3.	<i>PE FOR BLUE-COLLAR EMPLOYEES</i>	158
7.5.	CONCLUSION	159
CHAPTER 8. INDUSTRIAL RELATIONS		162
8.1.	INTRODUCTION	162
8.2.	POWER IN INDUSTRIAL RELATIONS: LABOUR UNIONS, EMPLOYERS AND THE STATE	163
8.2.1.	<i>THEORETICAL FRAMEWORK: POWER IN IR</i>	163
8.2.2.	<i>ENVIRONMENTAL / STRUCTURAL FACTORS IN THE TURKISH CONTEXT</i>	165
8.2.2.1.	Changes in the Economic and Political Systems	166
8.2.2.2.	Restrictive Legislation and Executive Action	166
8.2.2.3.	Privatisation	167
8.2.2.4.	Changes in the Composition of the Workforce	167
8.2.2.5.	Employers' Associations	168
8.2.3.	<i>MAJOR ACTORS AND POWER ISSUES IN TURKISH IR</i>	168
8.3.	COLLECTIVE LABOUR RELATIONS IN AMERICAN MNCS	170
8.3.1.	<i>NON- OR ANTI-UNIONIST ATTITUDES</i>	170
8.3.1.1.	Philosophy: Reasons for Non- or Anti-Unionism	170
8.3.1.2.	De-Unionisation and Non-Unionisation: Power, Relations and Tactics	174
8.3.1.3.	Keeping Unions At Bay	178
8.3.2.	<i>UNIONISED US MNCs IN THE TBS</i>	180
8.3.2.1.	Reasons for Recognising Unions: US Corporate Philosophy	180
8.3.2.2.	Role of Turkish JVPs	181
8.3.2.3.	Role of American JVPs	182
8.3.2.4.	Industry Factors	184
8.3.2.5.	Cooperative Approach of Trade Unions for 'Mutual Gains'	185
8.3.2.6.	Unionisation in an anti-unionist US MNC: The Hazelnut Plant of FoodCO	188
8.4.	CONCLUSION	190
CHAPTER 9. DISCUSSION AND CONCLUSIONS		192

9.1.	INTRODUCTION	192
9.2.	SUMMARY AND DISCUSSION OF MAIN FINDINGS	192
9.2.1.	<i>KEY FORCES OF INFLUENCE</i>	193
9.2.1.1.	Macro Level Analysis: Host-Country Effects	193
9.2.1.2.	Macro Level Analysis: Home-Country Effects	195
9.2.1.3.	Meso Level Analysis: Sectoral Effects	197
9.2.1.4.	Micro-level Analysis: Organisational effects	198
9.2.2.	<i>THE INTERACTION OF DIFFERENT INFLUENCES IN THE TRANSFER AND IMPLEMENTATION OF HRM POLICIES AND PRACTICES AT US MNCs IN TURKEY</i>	200
9.3.	THEORETICAL IMPLICATIONS	203
9.3.1.	<i>'HYBRID TRANSITIONAL' HOST-COUNTRY</i>	203
9.3.2.	<i>THE TRANSFER OF IR/HRM POLICIES AND PRACTICES IN A 'HYBRID TRANSITIONAL' HOST BUSINESS SYSTEM</i>	205
9.3.3.	<i>VARIETIES OF NATIONAL BUSINESS SYSTEMS</i>	207
9.4.	RESEARCH LIMITATIONS AND IMPLICATIONS FOR FUTURE RESEARCH	209
CHAPTER 10. REFERENCES		212
APPENDIX 1. ACCESS LETTER SENT TO MANAGERS		227
APPENDIX 2. NOTES FOR INTERVIEW WITH SENIOR TURKISH HR MANAGER		229
APPENDIX 3. BENEFITS SURVEY		232

ABSTRACT

This thesis aims to understand the influence of various institutional elements on the transfer of multinational corporations' human resource policies and practices to their international subsidiaries. Drawing upon comparative institutionalist theory, the thesis considers the host- and home-country national business systems at the macro level as the most significant impact factors on the formation and transfer of these policies. The thesis also aims to test the applicability of the national business systems approach in a distinctive 'hybrid transitional' business system, which is argued to be different from various typologies developed in the literature. To test 'dominance' effects, multinationals originating from one of the most powerful systems, the US, are studied. To investigate the influences of other significant institutional elements at the industry and organisational levels on the substantive human resource management issues, a four-level analytical framework is developed.

At the empirical level, the thesis carries out qualitative case studies of American multinationals in the distinctive business environment of Turkey mainly by using interviews. The cases are chosen according to theoretical sampling, and companies that exhibit features hypothesised to be important variables - sector, size, age, ownership structure, and unionisation - are investigated.

Overall, the thesis argues that, firstly, the distinctiveness of 'hybrid transitional' business systems result from two elements. On the one hand such systems are characterised by a combination of the various institutional elements of the theoretical typologies, hence 'hybrid'. On the other hand, they are open to direct and significant influences of globalisation for institutional change from both internal and external organisations through 'trickle-down' and 'trickle-up' trajectories, thus 'transitional'. Such openness results not only from a permissive legal environment but also from the willingness of significant internal actors for change. Secondly, such 'hybrid transitional' business systems present both challenges and opportunities for the transfer of human resource policies and practices for multinationals. In the case of Turkey, challenges stem mostly from labour market conditions, in terms of availability of skills and qualifications. The permissiveness and pro-business nature of the Turkish legal framework, and the weakness and cooperativeness of labour unions make it easier to transfer home-country policies. Large Turkish holding companies, although strong partners in international joint ventures, do not present major challenges. Local actors, including owners and professional managers of large Turkish companies with a positive attitude towards particularly American policies and practices, mean strong 'pull' effects are observed, in addition to 'push' effects of transnational and international institutions internally and externally.

ACKNOWLEDGMENTS

This has been a long journey, but I was never alone or lonely. I had excellent guidance, support and company along the way. First and foremost, thanks are due to my supervisors. I could not have completed my PhD had Prof Anthony Ferner not been my first supervisor: in addition to being the most remarkable academic supervisor, he has helped solve numerous problems about various issues. I have learnt a lot from him, and hope to pay my gratitude by trying to be a good researcher and supervisor in the future. Deepest thanks are also for Drs Tim Claydon and Olga Tregaskis, my second and third supervisors, who were always there to discuss research issues and provide timely and consistent feedback. Secondly, without Meg and Nick Bond, whom I ‘adopted’ as my English parents while spending several weeks with them during all these years, it would be impossible to do a doctorate in the U.K. They have not only opened their home and hearts to me, but also introduced me to their lovely friends in Leamington Spa -- I am so proud to have Iris Bertz and David Jones, Felix and Tony Mindham, Ann and Alan Morrison, Martine and Duncan Gallie, Sue and Robin Wensley, Sally and Bernard Davies, and Kate Bond and Karen Hirst (in Haslingdon) as my dear friends. I was also grateful that I had so many other beloved friends who were always there to help and support from wherever they were in the world: among many others (in alphabetical order) Gonca Açıkalın, Belgin Clissold, İlkiz Dikmeer, Ahmet Ekici, Yasemin Göktepe, İtir Göğüş, Fahrettin Gözet, Aylin Gümüş, Meral Işıtır, Zahide Karakitapoğlu-Aygün, Veli Tan Kırtış, Bärbel Muno, Dilek Önkal, Örsan Öрге, Hilâl Ülker, Kriss Wittmann, Güller Yalçın and Leylan Yener are those I cannot forget. I would moreover like to extend my deepest thanks to the administrators and members of Bilkent University and the Faculty of Business Administration, in particular to Professors Kürşat Aydoğan, Erdal Erel and Dilek Önkal, who believed in my goal and supported me in every way they could. Finally, dozens of anonymous company managers and union officials have generously allocated their valuable time to answer my questions: without their input, this work would not have been what it is.

During the long journey of a PhD, ‘life interferes’: I have seen births and deaths, marriages and divorces, illnesses and surgeries, and various other events. I have also learnt by experience that ‘if there is a will, there is a way’, and tenacity and flexibility are among the key features to complete a comprehensive process such as a doctorate. Without support, love and understanding, however, it is not possible to be tenacious, flexible or hardworking. In addition to all those listed above, I am therefore indebted to my family, in particular to Seza Danişoğlu and Ahmet Yazal, for their impervious love and faith in my skills and intellectual capacity.

CHAPTER 1. INTRODUCTION

1.1. INTRODUCTION

The main objective of this thesis is to empirically explore the influence of host country institutional system on the transfer and formation of multinational corporations' HRM policies and practices to their subsidiaries. It is also aimed to test the applicability of the national business systems approach for investigating transfer and formation of management practices in a 'hybrid transitional' environment, which is different from both developed, less developed or emerging economies. Similar research in comparative and international HRM concentrates mostly on developed economies at both the receiving and supplying ends. This study, by focusing on a distinct developing country at the receiving end, aims to make a contribution by extending the range of national business environments, hence increasing the 'context generalisability' of how NBS influence the transfer of HRM. These research purposes inevitably necessitate bringing various lines of literature together. At the macro level, two opposing lines of literature on the dissemination of management policies are considered. While convergence theories, including the more recent globalisation approach, claim the transfer and application of 'best', i.e. usually American, management practices across national borders, divergence theories commonly maintain that the national systems are still so diverse that management policies cannot be applied uniformly in different countries.

Although the arguments of the convergence approach make sense at the theoretical level, this approach is based on limited empirical evidence and does not provide a rigorous analytical framework for comparative studies at the national level. Similarly, the culturalist line of argument within the divergence literature, although widely used in management research, does not satisfactorily explain differences in the national environments, and links differences and similarities to vaguely defined 'cultural indices'. The institutionalist literature on the other hand is a well-developed field with contributions from sociology, political science and international relations and presents a systematic background to investigate the research questions. Within this strand, the national business systems (NBS) approach (Lane, 1995; Whitley, 1999; Hall and Soskice, 2001) is valuable for the main purposes of this study.

One of the major limitations of traditional institutional theory is the assumption about the robustness of the institutions, hence the business systems, which does not account for the dynamic nature of NBS. Although this is a drawback for investigating any NBS, it particularly constrains investigating those countries that are indisputably albeit slowly changing as a result of being more directly and strongly influenced by globalisation through transnational and international organisations. Younger, newly developing or weaker market economies are considerably more prone to such influences than the

developed and established systems. The stalactite institutional change theory by Djelic and Quack (2003) is therefore considered together with the NBS approach particularly for analysing such national environments. A detailed discussion of the institutionalist theory is provided in Chapter 2.

In the main lines of literature on the business systems approach, in general developed capitalist economies are considered. Whitley (1999) for instance bases his divergent capitalisms approach on the argument that institutionally different national economic control and coordination mechanisms in developed economies create varieties of capitalism. Hall and Soskice (2001) further develop two main varieties of capitalism, i.e. liberal market economies (LMEs) and coordinated market economies (CMEs), by considering various developed capitalist economies, such as the UK, Germany, France, Japan and the USA. To what extent these NBS models are applicable to newly developing, younger and open economies is questionable. Furthermore, the concept of a 'hybrid transitional' business system is proposed, which is defined as a NBS that comprises elements of both LMEs and CMEs (Hall and Soskice, 2001), and others defined in Whitley's typology (1999), *and* that is more highly subject to globalisation influences. Turkey is presented as an example of such a business system, and the Turkish business system as the host-country is discussed in detail in Chapter 4.

Although the influences of globalisation and national systems on the dissemination and formation of management policies can be investigated by looking at domestic companies, multinational corporations (MNCs) present more interesting cases firstly because they are among the main transfer actors through their operations in many countries, and secondly and more importantly because of the possible influences of their home-country NBS on their managerial philosophies, strategies and practices. The influences of national institutional patterns are imprinted in firms' behaviour, as companies are embedded in their own business systems and drawn towards those coordination forms for which there is institutional support (Hall and Soskice, 2001). Moreover some MNCs are inclined to reflect their national identities in their international operations (Ferner, 2001). Thus in their international operations MNCs find themselves in the middle of two powerful sources of influence: their country of origin whose institutional influences are reflected on their management policies, and the country of operation where there is a different environment that calls for 'institutional isomorphism' in managerial practices (DiMaggio and Powell, 1983). Subsidiaries are thus faced with what Kostova and Roth (2002:216) refer to as 'institutional duality' and the question is how far these two distinct sets of 'isomorphic pressures' influence MNCs' management practices. Influences of countries with integrated and strong, i.e. dominant, economies are reflected in their companies' inclination to transfer their home-country policies and practices to other 'weaker', open environments. USA, with its overwhelming power in the world economy and politics, is considered the most dominant country, which leads to an uneven balance of power between particularly less-developed / developing NBS and American MNCs in these host countries. Consideration of dominance effects of

home-countries as well as host-country influences can add significant insight to this field of research. Therefore the USA is chosen as the home-country in this research mainly because of its ‘dominance effect’, in addition to other reasons such as the size and length of its FDI in the host-country. The US NBS is discussed in Chapter 5.

In addition to home- and host-country influences, sectoral and organisation level factors can be significant in the formation and transfer of HRM policies and practices. Although these meso (sector) and micro (organisational) level factors are sometimes considered separately, they might act in conjunction with macro (NBS) level factors. Or their influences might be moderated or accentuated in some NBS and/or in some HR/IR issues more than in others. Therefore a four-level analytical framework is discussed and presented in Chapter 2.

In the light of the above issues, this study aims to understand the influences of various factors at three levels (i.e. macro, meso and micro) on the transfer of HRM/IR policies and practices of MNCs from a dominant economy in a distinctive host environment. To explore sectoral influences, companies from various sectors are chosen. At the company-level, organisational factors such as age, size, ownership structure are taken into consideration to understand possible influences. The substantive HR/IR issues studied are labour market orientations and employment systems, performance management and compensation systems, and industrial relations. Within this perspective, the study on the whole tries to answer the following questions:

How does the distinctive business environment of Turkey influence American MNCs’ HR/IR policies and practices in their Turkish subsidiaries? To what extent are they transferred from home-country practices and shaped by host-country business system factors? How do sectoral factors and company features impact on the formation and transmission of HR applications in conjunction with the host-country business system influences? What transmission mechanisms are used for the transfer of home-country approaches?

1.2. OVERVIEW AND OUTLINE OF THE THESIS

In the rest of this chapter, an overview of the thesis is provided through a short synopsis of each chapter.

Chapter 2: Literature Review and Analytical Framework

In this chapter, the theoretical ground for the study is laid out: while major arguments of convergence and divergence approaches are discussed briefly, emphasis is put on institutionalist theory, particularly the NBS approach, which provides a powerful tool for the comparative analysis of different business

systems and market hierarchies. While NBS is critically reviewed, the concept of a ‘hybrid transitional’ business system is introduced. In the second part of the chapter, a four-level analytical framework, which aims to understand the influences at different levels on a firm’s HRM behaviour, is proposed, consisting of macro (national business systems), meso (sectoral), micro (organisational) and substantive IR/HRM issues levels.

Chapter 3: Methodology

In Chapter 3, research methodology and design are discussed and justified for their suitability for the purposes and research questions of this study. In terms of the research design, the rationale for choosing Turkey as the host- and the USA as the home-country is presented. Additionally, the qualitative case study approach, and criteria for the selection of case studies are theoretically and practically justified. Triangulation by using various data collection methods (i.e. interviews, documents and observation) and interviewees in different organisations and levels are explained. Generalisability from qualitative cases, in addition to other reliability and validity issues are presented. A short section on data analysis process and methods conclude the chapter.

Chapter 4: National Business Systems: Turkey as the host country

Based on the basic argument of the NBS approach, i.e. the institutional environment and coordination and control mechanisms of a business system shape firms’ management behaviour, this chapter explains the distinctiveness of the Turkish business system. Combining features of different market economies and their business systems in itself, Turkey is a ‘hybrid transitional’ business system that has different institutional elements from various forms of capitalism. Moreover, it is argued that such ‘hybrid transitional’ systems are more open to the impact of globalisation from transnational institutions. It is argued that these factors in combination make Turkey a distinctive business environment to examine MNCs’ HR/IR behaviour.

Chapter 5: National Business Systems: USA as the home country

The home-country business system is of key importance as firstly, firms are embedded in their own NBS, secondly, home-country influences are crucial for shaping corporate management behaviour, and thirdly, national identity is important for the inclination of MNCs to transmit their corporate practices to foreign subsidiaries. In this chapter, NBS of the most dominant economy in the world, the USA, is reviewed to understand the structure and managerial behaviour of its domestic firms.

The next three chapters, six through eight, discuss the empirical findings of the fieldwork, within the analytical framework of the study, whereas the last chapter brings these findings and analyses together.

Chapter 6: Employment Systems and Labour Market Orientations

In this first empirical chapter, labour market orientations and employment systems of the case companies are discussed. A strong internal labour market (ILM) approach for various employee groups is observed, with salaried and industrial employment systems used. This approach is found to be shaped by the constraints and opportunities presented in the Turkish business environment (e.g. availability and cost of skilled labour force), together with organisational factors (e.g. corporate policies, ownership structure, global restructuring, size and structure) and industry requirements (e.g. production systems, export markets).

Chapter 7: Performance Management Systems

This chapter discusses pay and performance management systems (PMS) in the case companies. The most direct transfer of corporate HR policies is observed in these areas, while the TBS (labour markets in particular) manifests significant influences on their application, despite the lack of limiting legal or cultural obstacles. Highly centralised, standardised and sophisticated PMS, which are linked to pay, training and development (T&D), and promotions are observed. Strong home-country influences are additionally evident in the limited flexibility given to the subsidiary managements in the application of performance management and reward systems. Compensation and benefits policies and practices reflect the ILM approaches discussed in the previous chapter, while T&D, promotion and career opportunities are used as recruitment and retention tools in the Turkish labour market.

Chapter 8: Industrial Relations

Discussion of the empirical evidence on IR issues in the US MNCs is the main focus of this chapter. It is argued that US MNCs could pursue their corporate attitudes in IR within the permissive and pro-business legislative environment in Turkey. However, only a few common corporate guidelines are transferred to the Turkish subsidiaries from the US parents. This is explained by the still highly regulated position of IR in many European countries, which makes IR a country-specific field. Although there are only a few corporate guidelines, they are strictly applied. Among these, handling IR issues by observing the local rules and regulations is emphasised. The most significant factor in explaining the unionisation of American MNCs within the permissive Turkish IR environment that presents unions with difficult obstacles but provides companies extensive flexibility is argued to be the US parent's attitude: if it is anti-unionist and decides to de-unionise or stay non-unionised, it is almost impossible for any union to stay organised in this company. The main reason for unionisation in this permissive environment is found to be also the corporate attitude (sometimes that of the Turkish parent, in the case of IJVs).

Chapter 9: Discussion and Conclusions

In the final chapter of this thesis, firstly, the main findings are reviewed. Different forces of influence at three levels are discussed first individually and then in combination to show how they interact to shape HR/IR policies and practices at Turkish subsidiary level. Secondly, the concept of 'hybrid transitional' business systems and their implications for HRM theory are discussed, particularly in terms of transfer of policies and practices in a distinctive 'hybrid transitional' business environment. The chapter concludes by addressing the research limitations and suggestions for future.

1.3. CONCLUSION

Overall, this study aims, firstly, to develop a better understanding of host-country influences on the nature and process of transfer of management policies and practices from dominant economies to more novel environments of 'hybrid transitional' countries, which involve characteristics of various business systems and are highly open to change and impact of transnational and international institutions particularly through trickle-down trajectories. As such it also contributes to the international HRM literature particularly with a combined approach that takes both the influences of NBS and change processes into consideration.

CHAPTER 2. LITERATURE REVIEW AND SETTING THE ANALYTICAL FRAMEWORK

2.1. INTRODUCTION

This chapter is divided into two parts, each of which addresses the two main purposes of the chapter. The first part provides a critical synthesis of the literature concerning the complex set of forces acting upon national business systems and the implications for their future development. This discussion centres on the convergence-divergence debate and the related debate concerning the impact of globalisation. The first school of thought about the effects of nationality on the behaviour of firms is the culturalist one. As one important approach within the institutionalist approach, i.e. the national business systems (NBS), is adopted in this study, literature on various forms of institutionalism is discussed in more detail. In the second part of the chapter, the analytical framework that incorporates the theoretical approaches to explore and analyse the research questions is presented. This framework seeks to understand how and to what extent the macro level, i.e. NBS, the meso level, i.e. industry, and the micro level, i.e. firm, characteristics influence the HRM behaviour of MNCs in their subsidiaries. The chapter ends with the concluding remarks.

2.2. LITERATURE REVIEW

In this section, relevant theoretical approaches in the literature are reviewed in an effort to set a framework in which economic behaviour can be analysed. Firstly the main lines of debate on convergence versus divergence are sketched out as a prelude to the discussion of the institutionalist approach. This is followed by a critical discussion of the institutionalist theory, in particular the national business systems approach.

2.2.1. CONVERGENCE DEBATE

The acceleration of international business in the 1950s started a discussion in terms of finding a ‘one best way’ in production and management practices. One of the dominant strands in international management research has been the convergence approach, or the ‘universalist paradigm’ (Brewster, 2000:256). Convergence of social institutions in different countries as a result of technological modernisation had been argued since Kerr *et al.* (1960), who supported firmly the argument that institutions that shape business around the world would converge towards the most efficient model of the time, i.e. the American one, as the ‘iron hand of technology’ imposes similar structures and work organisation. This perspective has three main assumptions: firstly, improving performance through high performance work systems is the ultimate objective in all organisations and cases; secondly, ‘sound’ and ‘effective’ management principles are applicable regardless of national environments;

finally, if local practices are different from these principles, they are expected to be replaced with the 'one best way' converging mainly on the American model as the leading industrial economy during the 1950s and 1960s (Dowling, Welch and Schuler, 1999). In the 1970s, in a similar approach, it was the Japanese model that prevailed among the European countries and the USA, when 'Japanization' was starting to be discussed. As the successful economy of its time, various aspects of the Japanese model were applied in the other major economies, but not always successfully, which was explained by the impossibility of importing all the elements of the model without the necessary institutional environment, that is the business system, in which firms are embedded.

Another approach that claims convergence of institutions and organisational behaviour in different countries is the more recent globalisation debate. This perspective draws, not on technological determinism, but on the impact of increasing economic, political, social and cultural relations across borders. The forces of globalisation, such as the liberalisation of economies and markets, deregulation, regional economic integration and trading blocs (e.g. EU, NAFTA, APEC), and improvements in communication technologies have been presented as encouraging notions of convergence around 'one best way' practices. Theorists propose that the nationality factors in the operation of economic systems and companies are no longer as influential or important as MNCs become 'transnationals' that converge to a new 'best model' (Bartlett and Ghoshal, 1998). According to Bartlett and Ghoshal (1998) the new organisation model of the 'transnational firm' emerges as a result of common responses to global economic challenges by international companies, which in turn enables them to develop and use the advantages of 'global efficiency', 'multinational responsiveness' and 'worldwide learning'. Some proponents of the globalisation theory make a sweeping claim that a 'borderless world' is emerging where 'transnational' or 'global' companies operate in many countries like 'insiders' and are detached from their original nationalities (Ohmae, 1990; Reich, 1990). In summary, proponents of the globalisation thesis assert that national institutions face strong challenges from the globalising economic, political, cultural and social activities. In order to survive successfully in this environment, firms will have to change in a way that leads to similar structure and behaviour, which would in turn result in the erasure of national differences in management.

The convergence hypothesis has been revitalised in the context of intensifying global political and economic competition. It has become influential in the management and international HRM literature since the 1990s, although evidence showed '*little blurring or convergence at the cores of firms based in Germany, Japan, or the United States*' (Pauly and Reich, 1997:1). The challenge to the convergence thesis gained ground especially in the 1970s when Japan, with its distinctive work organisation and managerial practices, started to emerge as an industrial power in the world economy: there was much less convergence found than expected in Japanese organisations towards western employment policies and practices. Exponents of the more recent globalisation thesis have been

criticised mainly for their theoretical over-enthusiasm that was not supported by empirical evidence. It has been argued that world economy has not become significantly more global than it had been in the past.

Although empirical evidence was found against the sweeping propositions of the convergence and globalisation arguments, they '*became an established paradigm which many researchers found difficult to give up*' (Dowling *et al.* 1999:13). Debates and evidence for divergence challenging globalisation and convergence are provided, among others, mainly by two strands of the nationality literature, i.e. the culturalist and comparative institutionalist perspectives. Both of these approaches argue against the convergence thesis based on the continued influence of nationality on shaping the business environment, and consequently behaviour of companies, but with different theoretical frameworks.

2.2.2. DIVERGENCE DEBATE

The divergence approach, or 'contextual paradigm' (Brewster, 2000:258), does not seek the similarities in policies and practices to prove that firm behaviour becomes more alike around the world. Instead it searches to find and explain the 'contextually unique'. Firstly the culturalist perspective is discussed, followed by a more detailed discussion of the institutionalist approach, which is one of the main elements of the conceptual framework.

2.2.2.1. The Culturalist Approach

Researchers emphasising divergence in managerial and organisational behaviour generally view convergence arguments as being too simplistic, particularly in their appropriateness in all contexts. Among them, those that take the cultural approach explain the differences in managerial behaviour and organisational structure as mainly stemming from the dimensions of national culture (Hofstede, 1980; Laurent, 1983; Trompenaars, 1993; Adler, 1991). The main argument of this approach is that globalisation or technology cannot produce profound changes in economic behaviour in different countries towards a single model because of the deep and multi-layered influences of national culture on the organisation and behaviour of companies (Adler, 1991). The culturalist perspective attempts to explain variations in work organisation, managerial behaviour and HR/personnel practices by the 'cultural distinctiveness in terms of values, ideas and beliefs shared by people in a society' at the national level (Olie, 1996:127). By using bipolar dimensions and values of a national culture, prominent researchers of this approach, e.g. Hofstede (1980), Laurent (1983) and Trompenaars (1993), make causal linkages between the national cultures and differences in managerial behaviour.

The culturalist approach provided a challenge to the uni-dimensional claims of the convergence theorists. However this approach is not without some conceptual and methodological problems. One major problem is about the causal relationship claimed between cultural values and firm behaviour. It is generally accepted that national cultures have distinctive aspects, which might influence certain HR applications and traditions. Many researchers acknowledge the significance of culture and the influence of underlying cultural differences on company behaviour. Within the institutionalist approach, new institutionalists for instance argue that assumptions, beliefs and expectations in a society determine organisational structure and behaviour (Scott and Meyer, 1994). While the new institutionalism also focuses on the influence of cultural and societal environment on organisations (DiMaggio and Powell, 1983) it refers to institutionalised rules and expectations, and how these constitute organisational behaviour (Scott, 1991), incorporating normative frameworks as part of the institutional settings in which organisations operate. Institutionalists therefore acknowledge the mutual interaction between ‘values’ and institutions, i.e. values shape institutional arrangements and vice versa. Therefore institutionalists in practice see no obstacles to integrating cultural values as one element of their conceptual framework. The problem with the culturalist approach is about values seen as ‘free-floating’, detached from embeddedness in any institutional context. Accordingly, differences in organisational behaviour are linked to loosely and vaguely defined variations in culture. Hofstede (1980) for instance conceptualises national culture as ‘*implicit; core; systematically causal; territorially unique; and shared*’ (McSweeney, 2002:91). The cultural values indices developed by Hofstede (1980), which are claimed to depict national values and norms, are used to classify countries into clusters according to bipolar values, where similar managerial behaviour is theoretically expected. Ferner and Quintanilla (2002) argue that such an approach *explains* very little as to the reasons for differences in organisational structures and behaviour. Edwards and Kuruvilla (2005) further claim that such indices, particularly those developed by Hofstede (1980), raise additional questions: e.g. how do specific values and attitudes come to characterise a particular country?

Hofstede’s (1980) work, which defines value-based indices for over 40 countries, found widespread acceptance in the international HRM literature (see e.g. Kogut and Singh, 1988; Wong and Birnbaum-More, 1994). It has, however, been criticised on not only the weak conceptualisations of culture but also on serious methodological flaws. McSweeney (2002) for instance criticises Hofstede’s (1980) use of questionnaires on a number of accounts, e.g. that two organisational surveys, which were not originally administered for research purposes, were used, with ‘minuscule’ samples from many countries; the population surveyed was too narrow, i.e. respondents exclusively from a single company, etc. McSweeney (2002) moreover argues that Hofstede (1980) makes five crucial assumptions to identify influences of the national culture on work behaviour (e.g. uniform organisational, occupational and national cultures; national culture is identifiable in the micro-local

organisational culture, etc.). While *each* of these assumptions is claimed to be necessary to fulfil the claims of the research, McSweeney (2002) discusses in detail that they are *all* flawed.

Given the conceptual and methodological problems, and particularly the weak explanatory power of the culturalist approach, it is deemed to be a less appropriate tool as the main theoretical framework for the aims of this research. Comparative institutionalism within the institutionalist approach is adopted as the alternative approach, by incorporating these dimensions into the institutionalist framework, which acknowledges the significant influences of cultural and societal elements on organisational behaviour. This perspective allows for systematic comparison of firm behaviour within national institutional systems, and will be discussed in the next part within the more general framework of institutionalism.

2.2.2.2. *The Institutional Perspective*

The roots of institutionalist theory can be traced back to the late 19th century, when there was little attention to organisations and focus was on wider institutional structures (for a broad historical and analytical overview, see Scott, 1995:1-62). Institutional theory began to focus on organisations in the second half of the 20th century, and particularly since the 1970s, neo-institutionalist perspectives had been developed in economics, political science (and international relations) and sociology. Various perspectives and approaches can be found within the large and diverse ‘institutionalism’ or ‘institutional theory’ literature that originates mainly from these disciplines. Djelic and Quack (2003) classify this literature into three broad groups. Firstly, the rational choice approach, which predominates particularly among economists and political scientists, focuses on formal and structural political and economic institutions. Literature within this strand considers institutions from a functionalist perspective where economic and political actors are argued to make decisions and create institutions that they believe are most efficient in a given situation.

Secondly, there is the cultural perspective whose roots are tracked down to classical, and particularly Weberian sociology (e.g. Meyer and Scott, 1983; Scott, 1995). Generally conceptualised as the ‘new institutionalism’, it focuses on the influence of the cultural or more vaguely defined societal environment of organisations (DiMaggio and Powell, 1983). Institutions are regarded as wider cultural and symbolic patterns that shape organisations, structures or actors and their behaviours and interactions. More precisely, institutions are defined as consisting of ‘*cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour*’ (Scott, 1995:33). As generally is the case within institutionalist theory, new institutionalism also assumes that organisations are embedded in their institutional environments. In order to gain legitimacy, they are forced to fulfill institutionalised expectations by adopting the appropriate organisational structures and

managerial applications, i.e. they strive for 'institutional isomorphism' (DiMaggio and Powell, 1983). DiMaggio and Powell (1983) suggest three mechanisms, i.e. coercive, mimetic and normative isomorphism, through which an organisation becomes more 'isomorphic' with its organisational field.

Together with the business systems perspective, new institutionalism is regarded as one of the two most significant strands in organisation theory. Both argue that firms or business actors are embedded in their institutional environments, and organisational behaviour is shaped by the institutionalised rules. However there are also significant discrepancies between the two approaches: firstly, definitions of the central elements, particularly of 'institutions' in the new institutionalism are argued to be too general (Tempel and Walgenbach, 2003). For instance, what constitutes an 'organisational field' is ambiguous. Secondly, new institutionalism focuses on the micro level, where cognitive aspects of institutions are strongly emphasised. Its focus on the 'organisational field' as the unit of analysis and institutions at the micro level provides a less precise tool for the comparison of the influences of macro level (i.e. national) institutions on individual firm behaviour. As Tempel and Walgenbach (2003) argue, in the few comparative studies done within the new institutionalism (e.g. Orru, Biggart and Hamilton, 1991; Dobbin, 1994), the influences of national (macro level) institutional environments become evident, which brings new institutionalism closer to the historical comparative approach. In the business systems approach the focus is on the macro level institutional system, i.e. the state, financial, education and industrial systems, trust and authority relations. These main national institutional elements are clearly defined to understand the general pattern of economic coordination and control within a nation state and its influences on firm behaviour.

Thirdly, although both approaches are empirically oriented, the application of the new institutionalism in organisational studies has been mostly confined to the context of the USA. It has only recently been used in comparative organisational studies in MNCs to understand, for instance, the transfer of strategic organisational practices (Kostova, 1999), gaining organisational legitimacy (Kostova and Zaheer, 1999) and the adoption of organisational practices by subsidiaries under 'institutional duality' (Kostova and Roth, 2002). The business systems approach on the other hand provides a clearly defined framework that allows comparative study of different national systems. Moreover, a significant amount of research within the context of MNCs that adopted the business systems approach has accumulated recently, particularly by Ferner *et al.* investigating US MNCs in the UK, Germany, Spain and Ireland (Almond and Ferner, 2006). Finally, and perhaps most importantly, the core argument of these two main institutionalist approaches is to some extent contradictory: while new institutionalism emphasises convergence of organisational structures and behaviour within an 'organisational field' through the mechanisms of 'isomorphism', the business systems (and other historical approaches) claim continued diversity as a result of variations in national institutional arrangements and business systems.

New institutionalism was among the theoretical approaches considered for the analytical framework of this study and some of its arguments were incorporated into the analysis. However, it was not adopted as one of the main theoretical elements in view of the above issues. It is argued that the business systems approach presents the most appropriate theoretical perspective for the conceptual framework at the macro level for the purposes of this comparative study. A detailed discussion of the comparative institutionalist, and particularly the business systems, approaches is presented next.

2.2.3. COMPARATIVE INSTITUTIONALISM: BUSINESS SYSTEMS APPROACH

Historical approaches within institutionalist theory focus on the macro level social institutions and define them as political, legal and societal frameworks at the nation state level. According to the comparative institutionalist perspective, institutions are robust and ‘interlocking’ frameworks that consist of organisations, rules and regulations, and they present significant constraints for organisational behaviour and structures at the national level. These constraints establish the path dependencies in each national institutional framework, which explains the self-supportiveness of the elements and robustness of the framework as well as differences in behavioural and organisational patterns across nation states. In this approach origins of institutions are external to actors and they represent constraints and coercive mechanisms.

There are various theories within comparative institutionalism that are classified as the ‘business systems’ approach and used for the comparative analysis of firm behaviour in different national settings. The ‘societal effects’ by the Aix school (e.g. Maurice, Sorge and Warner, 1980), the ‘national business system’ by Whitley (1992, 1999) and Lane (1995), the ‘social systems of production’ by Hollingsworth and Boyer (1997), and more recently the ‘varieties of capitalism’ by Hall and Soskice (2001) are significant models within this approach. There are some variations between these approaches, usually in terms of the main elements of a national business system. However they all agree on the basic arguments, discussed in more detail below, and most importantly, they provide a theoretical framework that allows systematic comparative studies of HRM and organisational behaviour between different countries.

Whitley (1992) defines business systems as ‘*particular arrangements of hierarchy-market relations which become institutionalised and relatively successful in particular contexts*’ (p.6) and emphasises the basic arguments of this approach as follows:

“business systems are distinctive configurations of hierarchy-market relations which become institutionalized as relatively successful ways of organizing economic activities in different institutional environments. They develop and change in relation to dominant social institutions, especially those important during processes of industrialization. The

coherence and stability of these institutions, together with their dissimilarity between nation states, determine the extent to which business systems are distinctive, integrated, and nationally differentiated.”

Hollingsworth and Boyer (1997) similarly argue that the ‘social systems of production’ consist of:

“institutions or structures of a country or a region ... integrated into a social configuration: the industrial relations system; the system of training of workers and managers; the internal structure of corporate firms, the structured relationship among firms in the same industry on the one hand, and on the other hand firms’ relations with the suppliers and customers; the financial markets of a society; the conceptions of fairness and justice held by capital and labour; the structure of the state and its policies; and a society’s idiosyncratic customs and traditions as well as norms, moral principles, rules, laws, and recipes for action.” (p.2)

These definitions reflect the commonly shared, basic notions of business systems approaches. Firstly, they emphasise the ‘interlocking’ character of the structures and institutions that shape the markets, competition and business in general. That is, there is no one best way of coordinating and controlling economic activities successfully in a market economy. Firm behaviour is determined by the social-institutional environment of nation states (sometimes at sub- or supra-national levels), thus constituting diverse ways of organising economic activity. Therefore different patterns of economic organisation are claimed to be the outcome of particular dominant national institutional arrangements.

A second major notion is the ‘path dependency’, i.e. the historical, path-dependent evolutionary nature of national institutions and business systems. The path-dependence perspective looks for the causal relationships among social phenomena: i.e. what happens at one point in time has so significant an influence that it changes the outcomes of future events (Mahoney, 2003). Accordingly, dominant institutions gain their distinctive characters at a very early stage of industrialisation and they shape the subsequent developments of national business systems as they continue to evolve facing social, economic, political and technological challenges. The ‘interlocking’ nature of the key institutions also reinforces their tendency to persist.

The comparative institutionalist approach provides a macro-level conceptual framework that allows the comparison of HRM in different national environments. The contributions of this substantial literature can be summarised in three main points: firstly, comparative institutionalist literature investigates how key national institutions are formed, emphasising the significance of the historical and path-dependent nature of their development. Secondly, it investigates the ‘embeddedness’ of firms in their own national institutional environment, stressing how the interaction effects and institutional complementarities shape firm behaviour (Deeg and Jackson, 2007). Various approaches contend that dominant and mutually supportive national institutions were developed as a result of historical paths favouring certain kinds of market arrangements while deterring others. Among others, Hall and Soskice (2001) and Whitley (1999) emphasise ‘institutional complementarity’ to explain the relationship between specific market organisation and market-hierarchy relations. Finally, recent

approaches provide an analytical framework to explain national systems' responses to economic forces or shocks, such as globalisation or European integration by using models that incorporate influences of continuous change, particularly in the transnational institutional arena and their effects on national institutions, as well as functional change in institutions (e.g. Djelic and Quack, 2003; Streeck and Thelen, 2005; Thelen, 2005).

As such it avoids the conceptual and methodological shortcomings of the culturalist approach and is better structured than the new institutionalism for a systematic cross-national comparative study. Thus it is chosen as one of the main elements of the conceptual framework of this research. There are nevertheless a number of limitations of the comparative institutionalism. It has been criticised for, firstly, overemphasising the robustness of national institutional systems, and not considering mechanisms for continuous change; secondly, predominantly focusing on the macro-level national institutions, and neglecting intermediate levels of analysis below the national business systems, such as sub-national or regional, sectoral and organisational level institutions and their influences on firm behaviour (Ferner, Quintanilla and Sanchez-Runde, 2006). Moreover, typologies of business systems developed by comparative institutionalist research have focused heavily on the Triad. While research on Eastern Asian countries is available to a much lesser extent, in other developing countries and particularly those in transitional periods it is non-existent. These limitations however are tackled by the incorporation of sector and organisational levels into the analytical framework of this study and the proposal for a 'hybrid transitional' NBS model, discussed in the second part of this chapter. Before presenting the analytical framework, literature for limitations of the business systems approach will be discussed next.

Institutional Robustness versus Mechanisms of Transformation

Business systems approaches do not emphasise change, but the durability and persistence of institutional elements over time as a result of the mutually reinforcing features and integrated nature of the dominant institutions. The path-dependence perspective proposes that institutional change is expected to occur only in what can be described as a punctuated equilibrium model, where sudden and major, 'rupture-like' changes occur at the critical junctures because of some dramatic events, such as revolutions or wars (Thelen, 2003; Streeck and Thelen, 2005). Other smaller exogenous influences are expected to be absorbed by the system as a whole, not resulting in any major change. Therefore change is usually regarded to be path-dependent, where pre-existing institutions limit the perceptions of the actors and alternatives thus resulting in only incremental but non-consequential change in the major institutions (Djelic and Quack, 2003).

However critical junctures that lead to sudden and radical changes in institutions are experienced relatively rarely, whereas the cumulative influence of seemingly less dramatic but ongoing changes might be more significant (Djelic and Quack, 2003). Moreover, even in the face of radical changes in the social order, persistence of some institutional elements is noteworthy, as in the re-emergence of specific institutions facilitating employer coordination in Germany and Japan after World War 2 (Thelen, 2003). Although there is good empirical evidence against the sweeping claims of the globalisation proponents, it can also be claimed that more changes are experienced in national institutional environments. The ‘stalactite’ model proposed by Djelic and Quack (2003) combines the elements of comparative institutionalist and globalisation approaches: it provides space for the influences of globalisation as an incremental but consequential change process on the national institutional systems while also arguing for the variability of national frameworks stemming from their own historical development processes.

This approach, supported by empirical evidence from different countries or sectors and professions, is also based on the embeddedness of economic activity within the larger, i.e. national, level institutional framework. The ‘embeddedness’ notion has been further developed by the inclusion of the transnational environment together with the national framework, which is used to explain, at least partly, the change process in the national rules of the game. While the historically dominant national, or ‘incumbent’, rules still have a prominent role in shaping business systems, ‘challenger’ rules brought by globalisation gain significance. Globalisation is redefined in this approach not as a given but as a process, *“a phenomenon in the making, to be explained and understood.”* (p.302).

Using the metaphor of formation of stalactites in a cave from tiny but continuous drops of water under certain conditions, the stalactite model argues that change in the national institutional systems over a long period through a succession of individually insignificant looking transformations of the elements (through trickle-down and trickle-up trajectories) can lead to consequential changes in the whole system. This image is argued to be more probable than a ‘Big Bang’ explanation of national institutional change. It can be a very slow process, where a minor change in each element leads to that of the others, bringing about transformation of the part or whole of the system eventually. Djelic and Quack (2003) propose that:

“under repeated, multidirectional and multilevel attacks from challenger rules, both through trickle-up and trickle-down trajectories, national configurations may erode and be reshaped progressively through time.” (p.310)

Their combined approach continues to argue along the lines of path dependency to explain individuality of national institutional systems: at certain junctures NBS are expected to take on a new path: it is not a simple evolution or change of the old path nor a radical break from it. It is described as an ‘hybridisation’, but not a simple convergence process where *“many of the institutions of the old*

path continue as before, some old institutions are transformed to new purposes, and new institutions are introduced." (p.310; cited from Deeg, 2001:7). This approach has much in common with Thelen's (2003) notion that gradual change can take place without 'big shocks' and within systems without external influences. Thelen (2003) suggests two mechanisms where institutional changes can be produced endogenously: institutional 'layering' involves partial redefinition of some institutional elements while leaving others in place, and institutional 'conversion' means that institutions developed for certain purposes are used for a different set of aims.

One of the core elements of Djelic and Quack's (2003) model is the interplay between national institutional change and transnational institution building through trickle-down or trickle-up trajectories where the impact can be directly from the transnational to national (i.e. trickle down mechanisms) or more indirectly through sub-societal actors. For instance when EU or other transnational institutions such as IMF, World Bank or WTO exercise pressure on national governments to amend national laws or develop new ones, which would redefine the economic rules, national institutional systems are changed through direct, trickle-down mechanisms. Globalisation also increases cross-national interactions at the sub-societal levels (sectors, industries, sub-regions) where sub-societal actors can act as the transmitters and mediators of new rules they have brought into a certain national system. Trickle-up trajectories are followed when these new rules are pushed from below to change national institutional frames at the higher level. MNCs are among such major sub-societal actors.

The combined approach by Djelic and Quack (2003) therefore compensates for the mostly neglected change process in the business systems approach by accounting for the most recent change agent, i.e. globalisation as a process. Such an approach is regarded as appropriate to understand particularly those NBS that are in a transitional period, where incremental but consequential change is more often experienced through trickle-down and trickle-up trajectories.

Business systems approaches consider the boundaries of the nation state as their natural unit of analysis. One of the core assumptions underlying this approach is that the dominant institutions such as the state, legal, education and financial systems, are organised at the nation state level, therefore they impose their influences on the business system as a whole. Although the nation state serves the purposes of institutional comparison at the macro level well, it is doubtful whether it is possible to understand business systems and compare organisational behaviour by only considering the macro level. Consequently, a multi-level conceptual framework is adopted in this study and in the next part, the literature on the intermediate levels of analysis is discussed.

Intermediate Levels of Analysis: Below the National Business Systems

Below the macro institutional level of nation states, there might be institutional differences geographically, at the sub-national level, as for instance in the case of federal states. Moreover, as in the cases of northern and southern Italy, or eastern and western Germany, discrepancies in economic level and political culture within the same nation state can generate significantly different business systems within a country.

In addition to geographical disparities, structure and influences of industrial sectors need to be considered. Räsänen and Whipp (1992) accordingly argue that:

“It may be necessary to pay careful attention to a host of meso-level and even micro-level units around which collective action can be organised within a country, and sometimes across national borders.” (p. 47)

National and international economies can also be defined as a collection of various sectors. An historical sectoral approach might *‘conceptualise how sectors emerge and become constituted in certain ways, how they are reproduced and developed, and how their dynamics influence individual businesses and corporations’* (Räsänen and Whipp, 1992:47). The historical sector approach by Räsänen and Whipp (1992) goes beyond the economic definition of a sector. It defines sectors as historically evolving economic, social and political relations, which might also bear certain national characteristics. This perspective suggests that there are multiple sectoral constitutions within nation states that compete to establish their own ‘rules of the game’. Even though Whitley (1992:14) acknowledges possible regional variations within nation states, he still argues for the dominance of general national institutions and maintains that sectors do not differ significantly enough to form ‘industrial business systems’. Räsänen and Whipp (1992) however claim that there might be ‘institutionalised’ patterns of economic as well as social, cultural and political behaviour at the industry level within a national business system. Hollingsworth, Schmitter, and Streeck (1994) make similar arguments, in that there are sectoral specific arrangements that are also specific to the national business system.

Djelic and Quack (2003) similarly argue for the significance of the sectoral level, particularly in terms of the transmitter role the sectoral agents can play (see above). ‘Minor’ changes in the rules at certain sub-societal levels can exert indirect influences on the national institutional systems, eventually leading to a re-definition of rules and regulations at higher levels. FDI in a major industry is given as one possible source of such indirect influence.

Such an approach also assumes that social actors are not passive objects of institutional influences. Djelic and Quack (2003) claim that institutional change is brought about by certain groups (or

networks) of actors when they develop new patterns of action, or copy or adapt from other prevailing examples. Räsänen and Whipp (1992) also argue that ‘units of collective activity’ should not be taken as passive agents, constrained by the national institutions. They argue that different actors at sectoral level can use the dominant national institutions in locally different ways and for various purposes.

In summary, the business systems approach at the macro-level, with the incorporation of mechanisms to account for the evolution of dominant national institutions, and sub-national (geographical and sectoral) levels, presents a framework useful for the comparative study of how firms, as controlling and coordinating mechanisms of economic activity, are organised within different hierarchy-market arrangements. To use this framework for the comparative study of MNCs, relevant literature on the transfer of HRM policies is discussed in the next section.

2.3. TRANSFER OF HRM POLICIES BETWEEN NATIONAL BUSINESS SYSTEMS

Comparative institutionalism, with the incorporation of other theories to compensate for its criticised aspects as discussed above, is a useful tool to understand national business systems and their impact on firm and management behaviour. Another key issue for the analysis of HRM policies and practices of MNCs in various host systems is the ‘political and contested process’ (Ferner and Tempel, 2006:29) of international transfer of HR policies and practices between the different national systems. To investigate the complex nature and mechanisms of international transfer we need to understand how policies and practices developed in one institutional environment are integrated into a considerably different one. A number of factors operating at different levels (national institutional, sector, organisational) have been considered by a variety of approaches in the international business literature.

Firstly, in more conventional approaches drawing on the resource-based theory of the firm, structural and strategy factors are taken into consideration. According to this approach, transfer is based on the ‘rational’ choice of decision-makers at the corporate and sometimes subsidiary level. They consider the role of a subsidiary within the MNCs and the extent of interdependency between subsidiaries and the headquarters (HQ). For instance, if the subsidiary is dependent on the parent company for resources, transfer of home-grown policies and practices can be expected (Rozenzweig and Nohria, 1994). Taylor, Beechler and Napier (1996) similarly argue that the higher the degree of interdependency between parent and the subsidiary, the higher the likelihood of the transfer of HRM policies. Particularly if the subsidiary is of significance for the company, where the HRM strategies are considered important to realise subsidiary success, then the parent-company opts for the transfer for strategic reasons. Moreover if parent-company policies are regarded as a source of international competitive advantage and essential for subsidiary success, transfer is argued to be more likely (Taylor

et al., 1996). The level of functional integration of subsidiaries is argued to be another structural factor that explains the transfer process internationally (e.g. Bartlett and Ghoshal, 1998)

However, it is not possible to understand international transfer of policies by considering it only as a result of rational corporate choice for increased efficiency decided by top-level decision-makers. Issues both at the macro (national and supra-national) and micro (inter- and intra-organisational) levels must also be taken into account. A third approach thus explores the influence of factors related to the national and supra-national institutional systems on the transfer of policies and practices. The most significant analytical issues at the macro-level are, firstly, the impact of the level of similarity (or difference) between the national institutional systems on the success of transfer (e.g. Kostova, 1999); and secondly, power relations at the macro-level, i.e. 'dominance effects' of some economically and politically powerful countries (e.g. Smith and Meiksins, 1995; Elger and Smith, 2006).

As a part of her construct that specifies '*the factors that contribute to the transnational transfer of strategic organizational practices within MNCs*' (p.308) Kostova (1999) conceptualises '*institutional distance*' as an important factor that influences the institutionalisation of the practice at the recipient unit. Drawing on the new institutionalist approach, she proposes the '*country institutional profile*' (CIP) consisting of regulatory, cognitive and normative institutions in a country. '*Institutional distance*' specifies the difference between these three pillars of institutions at home and in recipient 'social contexts'. Kostova (1999) argues that the level of consistency between the home and host CIPs, i.e. the '*institutional distance*', particularly with regard to the practices that MNCs intend to transfer, is a significant factor that influences the success of the transfer. She accordingly hypothesises that the greater the difference between CIPs, the higher the likelihood of 'misfit' between the transferred practice and the recipient unit, which results in low success rate for the transfer.

In addition to the 'institutional distance' argument by Kostova (1999), another significant macro-level issue is related to the power relations between countries. Conceptualised as 'dominance effects' by Smith and Meiksins (1996), it is argued that transfer of 'best practice' by companies that are from economically more successful, hence powerful, countries is easier to those in less 'dominant' countries. As such, elements of 'dominance effects' can be found as early as in Perlmutter's (1969) ethnocentric approach in MNCs' tendency to transfer their home-grown HRM practices to host countries. Moreover actors in the less powerful countries might assume that the 'best practices' developed in dominant economies are superior, therefore perceive an interest in adopting them in their organisations. Therefore 'dominance effects' can be experienced either way, i.e. in addition to 'push' by companies from dominant countries, subsidiaries in less developed countries might be willing to attract parent-company practices from more developed countries, resulting in 'pull' effects (Meardi and Tóth, 2006). In addition to 'dominance effects' of developed countries, Elger and Smith (2006)

claim that practices developed in leading industrial sectors or even firms have the potential to exert pressure for the diffusion of 'best practices'. Finally, Ferner and Tempel (2006) claim that power struggles are not limited to transfer of best practices between countries, but dominance effects might be experienced in terms of pressure from dominant states over subordinate ones to change the latter's legal frameworks, which in turn can result in transfer of practices, where MNCs might play an active role, directly or indirectly through political networks.

In addition to power relations at the macro level, more recently another line of research has considered the significance of interests, power and dynamics of politics at the micro organisational level (Ferner, Almond and Colling, 2005a; Ferner *et al.*, 2006; Ferner and Tempel, 2006; Edwards, Colling and Ferner, 2007). It is argued that, until recently, international business literature generally neglected inter- and intra-organisational power dynamics, particularly between parent and subsidiary, with a few exceptions where subsidiary and HQ power resources in terms of resource-dependency were taken into consideration (e.g. Taylor *et al.*, 1996). However Ferner and Tempel (2006) argue that

"[T]he transfer process within the MNC is determined not so much by the rational decision-making of senior corporate executives but by the inter-play of interests and the possession and deployment of power resources by a variety of actors at different organizational levels."
(p. 31)

The ways in which actors at the organisational level behave strategically in order to pursue their own interests by using their power bases and the effects of such strategic behaviour on the transfer of policies and practices are at the centre of the *micro-political* approach (Edwards *et al.*, 2007:203). This approach acknowledges that transfer in multinationals is not simply a function of rationalistic determinism, national institutional systems or macro-level power issues. It is argued that the transferability of practices is influenced also by micro-level choices and power bases of subsidiaries and actors. Importance (e.g. competitive performance) and substitutability of the subsidiary in the global value chain of the MNCs is one such source of power for subsidiaries to resist or negotiate transfer of policies and practices. Similarly, subsidiaries can also use their knowledge and experience of the local system, in addition to other power resources gained from the legal framework (e.g. statutory rights for employee participation through works councils) and local and international networks. Pulignano (2006) for instance found evidence for the significant influences of organisation-specific elements in transfer and, more importantly, local adaptation of employment relations in British and Italian subsidiaries of a US MNC.

Kostova (1999) also hypothesises that the process of transfer is affected by the '*attitudinal*' and '*power/dependence*' relationships between the parent company and subsidiary. In terms of the attitudinal relationship, she argues that higher commitment and trust of the subsidiary in the parent company results in higher success of transfer. Drawing on both the resource-dependence and

institutional theories, Kostova (1999) argues that subsidiaries can transfer home policies in order to compete for parent-company resources or to gain legitimacy within the MNC. Both of these motives reflect inter- and intra-organisational politics influencing policy transfer from HQ to subsidiaries.

The various approaches discussed above make significant analytical contributions towards understanding the transfer of policies and practices cross-nationally within the context of MNCs. While individually they might not present the whole picture, within a combined perspective they can complement each other. In an effort to '*better understand how transfer is shaped by the interrelationships between the context of firms on the one hand and the relations between groups of actors within the firm on the other*', Edwards *et al.* (2007:204) suggest a '*political economy approach*' (p. 213), i.e. an amalgamated perspective that draws on the crucial tenets of the *market-based*, *cross-national comparative* and *micro-political* perspectives. Based on an extensive case study of an American MNC operating in the UK, Edwards *et al.* (2007) found significant evidence for the intertwined nature of institutional, political and market-based influences both at the macro national and micro organisational level. Their analysis revealed that, firstly, while MNCs are embedded in multiple national institutional systems, which can theoretically prohibit the transfer of policies and practices, there is still some scope for manoeuvre. Secondly, actors involved can use external and internal factors politically to increase their power to shape the transfer process according to their own objectives and agenda. Sources of power can be various, i.e. market-based (e.g. pressure to increase 'shareholder value', or local knowledge and expertise) or more institutional (e.g. local legal frameworks and expert knowledge in them). Edwards *et al.* (2007) argue that while power and ability of actors have an important role in shaping the transfer, it is to a large extent shaped by the institutional elements.

Consequently, one final issue in the 'diffusibility' of HR policies and practices within the MNCs is about the degree of changes, i.e. 'hybridisation' when policies are transferred between different national institutional systems (e.g. Boyer *et al.*, 1998; Tolliday *et al.*, 1998). The findings of a growing number of studies suggest that '*transfer is not an either-or matter*' (Ferner *et al.*, 2006:306). The complex framework of transfer that is influenced by a variety of factors at different levels results in partial or transformed application of policies in subsidiaries. Indeed, Tolliday *et al.* (1998), based on case studies of various production systems, claim that

"[...] the process of transfer and adaptation of a productive model from a parent context to another site will always lead to the hybridization of the logic and elements of the productive organization." (p. 4)

Three important characteristics of hybridisation are emphasised by Tolliday *et al.* (1998): firstly, it occurs as a result of the interaction of the production model with different institutional, political, and societal systems, including labour markets and skill structures. Secondly, hybridisation is a dynamic,

not static, process. Finally, it is not limited to contemporary times but ‘*a recurring historical phenomenon*’, where some of the best known examples range from the imitation of the “*American system*’ in the late nineteenth century to the dissemination of the *M-form corporation*, particularly to *Europe in the 1960s and 1970s*”. (p.4). Boyer (1998) also emphasises that hybridisation is a complex process, where ‘*causality is not unidirectional*’ (p. 37). He underlines the conflict between ‘desire’ of the organisation to transfer the model in its original form and the necessity to adapt it to another ‘social fabric’. Ineffective implantation runs the risk of rejection at the subsidiary, therefore hybridisation follows where a learning and innovation process is experienced by both local and parent actors. While Boyer (1998) emphasises the differences between external economic institutions and organisational structures that necessitate adaptation, Kostova (1999) considers cognitive and normative dimensions of integration of a practice in the subsidiary. She differentiates between ‘implementation’ and ‘internalisation’ where the former involves formal adherence while the latter means ‘attaching meaning to the practice and infusing it with value’. Therefore for increased ‘internalisation’, it can be argued that hybridisation according to economic as well as cognitive and normative institutions is necessary.

In summary, it is argued that cross-national transfer of policies and practices is a complex and contested process influenced by a variety of factors at different levels. Literature in this field considered market-based, cross-national and micro-political influences on the transfer of policies and practices within MNCs. The review of this literature reveals that no one line of approach is sufficient on its own to understand the process coherently; instead, a combined approach is necessary. It is concluded that firstly, although national institutional systems present certain limitations on the transfer, it is still possible to find space for manoeuvre. Secondly, dynamics and politics at the micro organisational level also exert significant influences on transfer, where implementation and internalisation of the transferred practice by the local actors can be quite different. Thirdly, hybridisation of transferred practices is argued to be almost inevitable. Such hybridisation can possibly result in differentiation of applications in different subsidiaries even though one of the main goals in transfer might be standardisation across MNCs (Edwards *et al.*, 2007). After the discussion of the relevant literature, in the next part the research framework developed for this study is presented.

2.4. ANALYTICAL FRAMEWORK: UNDERSTANDING HRM POLICIES AND PRACTICES IN MNCs’ SUBSIDIARIES

In this section an analytical framework that is used to analyse how HRM policies and practices of American subsidiaries are shaped in a distinctive host environment is presented. This framework seeks to understand the multi-layered, multi-dimensional and interwoven context of transfer within MNCs. Therefore a four-level research framework is presented: the macro level, i.e. NBS, is

paramount, which is complemented by meso, i.e. sector, and micro, i.e. firm, levels. The fourth level of analysis is the HR/IR functional level. This multi-layered framework allows the investigation of the main research questions by systematically considering social, economic, structural and political factors at various levels. These generally interwoven factors exhibit intertwined influences, making the context even more complex. The components of the framework are discussed next.

2.4.1. MACRO-LEVEL ANALYSIS: HOST-COUNTRY AND HOME-COUNTRY INFLUENCES

Of the theories explaining economic and organisational behaviour, various approaches within convergence and divergence debates are discussed above. While in general earlier convergence and more recent globalisation perspectives argue for an aggregate change in organisational behaviour towards ‘one best model’, culturalist and institutionalist approaches claim the opposite on the basis of survival of national patterns of economic behaviour. It is concluded that although both perspectives have their own merits to understand management behaviour in different nations comparatively, conceptual and methodological shortcomings of culturalist approach evidently reduce its value in explaining the underlying reasons for patterns of similarities and differences between nations. Institutional theories on the other hand maintain that organisational behaviour is structured and governed by certain historically evolved political, legal and social institutional frameworks in which firms are embedded and develop their behaviour to survive most successfully within these environments. Distinctive conceptual frameworks of comparative and new institutionalism, the two main perspectives within this approach, are also discussed separately. While both make valuable contributions to the understanding of firm behaviour in different contexts, NBS emphasises the macro (national) and new institutionalism the micro (organisational) level more. Moreover, as the discussion of transfer literature reveals, there are various issues at all levels to be considered to understand transfer within MNCs. Therefore an integrated framework is developed that brings essential concepts from the above literature review together. Finally the notion of a ‘hybrid transitional’ business system is conceptualised, which combines issues of power relations with significant and continuous change at particularly the macro level.

2.4.1.1. National Business Systems

Comparative institutionalist approaches, or ‘comparative capitalisms’, consist of various models and perspectives developed to understand ‘*the institutional foundations of diverse national ‘varieties’ of business organisation*’ (Deeg and Jackson, 2007:150). It is important to understand home- and host-country national business systems to ultimately analyse MNCs’ organisational behaviour. For this purpose, the NBS approach, in combination with more recent comparative institutionalism literature, particularly that which addresses the challenges imposed by

‘transnationalisation’ upon national institutions, is used as the macro-level component of the analytical framework. While considering influences of the host and home country business systems, host country analysis is complemented by the proposition of a ‘hybrid transitional’ system. Firstly macro level national institutions are briefly discussed.

In the NBS approach Whitley (1992b) differentiates between background and proximate institutions. In the former category are those social institutions that are argued to have supported the development and structure of economic systems and form the backbone of industrialisation and modern market economy. Key background institutions are usually formed and transmitted through family, religious organisations and the education system and include ‘*those dealing with trust relations, organising collective loyalties and ensuring cooperation between individuals and families and those governing relations of subordination and obedience*’ (p.20). The proximate institutions on the other hand include those that affect economic behaviour now and in the recent past, and explain differences between managerial organisation and behaviour, i.e. ‘*social-institutional complexes*’ (Lane, 1992:66). Included in this group are the structure and role of the state, the nature of the financial system, the education and training system, industrial relations system, and business associations. Hollingsworth and Boyer (1997) include an almost identical set of institutions in their formulation of social system of production (listed above), while Hall and Soskice (2001) similarly emphasise financial systems and corporate governance, industrial relations, education and training systems, and inter-firm relations in their ‘varieties of capitalism’ model that puts firms and their coordination problems into the centre. These institutions are therefore considered as the most important elements of the macro-level institutional systems and their significance is briefly discussed.

The State

The state as the single most important proximate institution is widely discussed in historical approaches since it has ‘*the strongest and pervasive impact on business systems*’ (Lane, 1992:65). Its importance in the NBS approach is due to its direct and indirect influences in shaping the business system and forming the other institutions, i.e. education and training system, industrial relations system, financial system, etc., through regulations and legislation. Different characteristics of the state as an institution are stressed according to the roles it takes on in the economic and legal environment, e.g. developmental, regulatory, interventionist, etc. Variations in its structure and policies, and its ability in creating and maintaining a stable and suitable environment for economic growth are argued to be closely related to the characteristics of the national business environment (Whitley, 1999).

The financial system

The financial system is argued to be one of the crucial elements of the social-institutional environment because it ‘*...affects both the ability of the state to support and guide industrial development and the*

nature of firms' strategic choices and risk management' (Zysman, 1983). Two main types of financial systems are capital-market based and credit-based systems. The prevalent type of the financial system in a country shapes, firstly, firms' dependence on the state for the distribution of resources and thus their choices, and secondly, relations between firms and banks. As an indication of the interrelatedness of the various components of the institutional system, it is argued that the state in capital-based financial systems is limited principally to a regulatory role, thus for instance it cannot readily intervene in firms' financial decisions or to support certain industries. In credit-based systems however the state can perform these roles easily, especially where the system is dominated by state-owned banks (Whitley, 1999). In capital-market based systems, relations between banks and firms tend to be short-term, impersonal and specific to certain transactions whereas in credit-based systems, long-term relations and risk-sharing are the norms. Public financial reporting is less important in the latter while finding funds through specialised financial institutions depends on the ratings of financial reports in the capital-market based systems.

Education and training system

The third component of the social-institutional environment of NBS is the system of education and training. It is particularly important because *'industry depends not only on money capital but also on human capital, in the form of skills, professional expertise and scientific/technological knowledge'* (Lane, 1992:69). There are major differences in the national education and training systems. These differences have certain consequences for the management of human resources of firms, especially in terms of recruitment, promotion and training (Whitley, 1999). Other significant consequences can be observed in the organisation and control of the division of labour, as was illustrated in the studies by Lane (1988) and Maurice *et al.* (1980).

Industrial relations system

The industrial relations (IR) system is one of the major institutional elements of a national business system as it directly influences firm behaviour through the structure of labour markets and the strength of labour organisations (Whitley, 1992b; Lane, 1992). The characteristics of the labour market and the strength of trade unions to a large extent define the relationship between labour and management and influence management practices, especially in terms of work organisation and control (Whitley, 1999). The IR system has clear connections with the education and training system in terms of skills and knowledge level of employees, which in turn influences labour strategies of companies.

Business associations

Defined as *'the collective organisation of firms on an industry and geographical basis'* (Lane, 1992:72), Lane (1992) and Hollingsworth and Boyer (1997) argue that the structured relationship among firms in the same industry is a significant social-institutional complex in shaping business

systems. The amount of support given to collective organisations by individual firms and the type of services and functions provided by them are among the important features. The degree of industrial self-administration and formalisation of inter-firm relations defines the effects of trade associations and chambers (Lane, 1992).

2.4.1.2. Conceptualising a 'Hybrid Transitional' Business System

Distinctive and internally consistent models of national economies have been developed by considering these institutional complementarities. These models have been formed by considering almost exclusively developed economies of the western world, excluding a few studies that included Far Eastern countries (e.g. Whitley, 1999; Orru *et al.*, 1991). There is a need to consider other, developing and less developed economies from different geographical parts of the world, particularly in the rapidly 'transnationalising' world economy. The critical question is whether these theoretical models can be used effectively for understanding other, less developed or developing national business systems in non-western parts of the world. Moreover, the issue of change and particularly the influences of globalisation and power at the macro level need to be considered more extensively within the discussion and development of typologies, even though these issues are now openly dealt with in the comparative political literature. A 'hybrid transitional' business system is therefore proposed to address these two main issues that the current comparative institutionalism fails to address properly.

Among the typologies developed, the dichotomous model of LME versus CME is proposed by Hall and Soskice (2001) in their 'varieties of capitalism' framework. These two models of contrasting market coordination and control mechanisms are developed by analysing the larger OECD countries. The USA, Britain, Canada, New Zealand and Ireland are classified as LME, while Germany, Japan, Switzerland, the Netherlands, Belgium, Sweden, Norway, Denmark, Finland and Austria are put into the CME group (p. 19-20). The remaining six countries in more 'ambiguous positions', i.e. France, Italy, Spain, Portugal, Greece and Turkey, are classified into a separate cluster, arguing that they constitute a different type of capitalism. This 'Mediterranean' cluster is claimed to be marked by:

"a large agrarian sector and recent histories of extensive state intervention that have left them with specific kinds of capacities for non-market coordination in the sphere of corporate finance but more liberal arrangements in the sphere of labor relations." (p. 21)

Although these characteristics might be shared by these six countries, there are certainly other significant differences between them. However, Hall and Soskice (2001) simply develop a geographical cluster and put all the 'deviant' countries into it, without considering these economies in any more depth, which sounds too simplistic.

Whitley's (1999) classification, where he considers various combinations of significant features of the significant national institutions, is more detailed and represents a continuum rather than a dichotomy. The six typologies (i.e. fragmented, coordinated industrial district, compartmentalized, state organized, collaborative and highly coordinated) are robust and non-porous and leave no space for the possible influences of transnational organisations on changes in national institutional systems. Although Whitley (1999) discusses influences of globalisation and of developments in the transnational organisation of companies, he keeps his original argument intact, claiming that such influences will not result in rapid or considerable changes in national business systems. Additionally, his arguments are based on extensive evidence also from the most developed economies, including those countries such as Germany and Japan that went through abrupt influences of wars and economic system changes in the second half of the last century. However, influences of transnational organisations and companies were considerably limited during the pre-globalisation period and national economies were relatively insulated from international influences.

With a similar approach to those of Hall and Soskice (2001), and Whitley (1999), Amable (2003) further suggests five 'ideal types' of capitalisms. Considering complementarities between five main institutional elements (i.e. product-market competition, the wage-labour nexus and labour-market institutions, the financial-intermediation sector and corporate governance, social protection, and the education sector), he argues that the diverse models of capitalism are the market-based model (similar to LME or Anglo-Saxon model), social-democratic model, Asian capitalism, Continental European capitalism, and South European capitalism (Amable, 2003: 93-114). Although Amable (2003) empirically tests the applicability of his proposed ideal types of diverse capitalisms by using statistical analyses, the usual set of most developed, Western, economies is used, with the addition of Japan and Korea as the most developed Asian economies. While Amable's (2003) analysis includes discussion of factors that may cause institutional change, like Whitley he does not explore the possible ways in which this may generate changes in NBS.

Considering the various classifications developed so far, it is argued that there is a need for a further developed approach that, firstly, incorporates the issue of transnational influences on institutional change and business systems, and secondly, goes beyond the most developed economies of the world and considers business systems of different countries. This study therefore proposes the 'hybrid transitional' business system that integrates these dimensions, by using the Turkish business system as an exemplary model.

The first main issue is about the changes experienced in institutional environments particularly as a result of transnational organisations and influences. It can be argued that continuous change is experienced in all countries, and it is not a phenomenon limited to less-developed or developing

countries. Djelic and Quack's (2003) proposed approach for instance is discussed mainly within the domain of developed European economies. While this argument is basically correct, it can also be rightly claimed that a developing country that is struggling to advance in economic development and growth is under considerably higher and continuous pressure for structural and institutional change. Developed economies experience higher robustness in their national institutions as they have been developed and shaped much earlier during the industrialisation process. However, the influences of transnational organisations can result in more significant changes in more recently industrialising countries, particularly as a result of 'dominance' effects and degree of openness to change.

Using Djelic and Quack's (2003) terminology, it is argued that the pace and extent of the impact of 'challenger' rules originating in the transnational environment on the 'incumbent' rules of the local institutional environment is not the same in all countries. In 'trickle-up' trajectories, the strength and legitimacy of foreign actors and the level of institutionalisation in the local environment are recognised to be significant. The degree of centrality, hence power, of a particular country (or group of countries) in the formation and stabilisation of transnational rules is considered as a very important factor in 'trickle-down' trajectories. Also important is the degree of weakness and dependence of the local system on external actors, hence the latter's relative power, for how these trajectories work (Djelic and Quack, 2001: 312-319). Some countries have higher power and a more central position in cultivating, disseminating and imposing transnational rules on other countries, i.e. 'dominance' effects (Smith and Meisksins, 1995). The USA is found to be one of the most important such actors, if not *the* most important, while a group of rich and highly developed E.U. countries comprise the next significant group. Explained by its '*unique position of geopolitical dominance that characterizes the US after 1945*' (Djelic and Quack, 2003), the USA has been able to impose its influence through such international institutions in 'trickle-down' trajectories for institutional change as well in some particular sectors (e.g. consultancy, financial services, genetically modified food, etc) in 'trickle-up' trajectories. Concomitantly, 'dominance' effects can result in rapid and considerable change through trickle-down trajectories, where the influences of transnational institutions are experienced in a developing country as a result of accessing membership of a regional economic structure, e.g. the EU, or taking on a restructuring programme by IMF.

The second significant issue is about the level of openness of the national institutional environment to change. It can be higher or lower in terms of firstly the permissiveness of the legal and structural environment, and secondly, the willingness of the main actors to support change. Even in less permissive, stricter environments, the willingness of significant actors (e.g. private sector leaders, investors, unions, etc) can result in changes in the legislation and in the institutions subsequently. 'Pull' effects are experienced in such cases where significant actors strive to bring legal, structural and institutional changes with a belief that these will result in increased success. In combination, i.e.

‘push’ effects of dominant transnational organisations and ‘pull’ effects of local (and sometimes international, in the case of MNCs) actors, make developing less powerful national economies more open to continuous and considerable change.

Turkey is used as an example for a separate categorisation to incorporate these issues, namely a ‘hybrid transitional’ business system. Turkey is categorised among the developing countries by various international institutions, such as the OECD, or as an ‘emergent’ economy by the USA. Although it is not classified among the ‘transitional’ economies, i.e. those transforming from centrally-planned to market systems, such as the former Soviet Union states or China, it in practice went through a similar process in the 1980s. With the liberalisation of the economy from an import-substitution system, it has become open to influences for rapid change in its institutional system. As a result of the national economic strategy changes since 1980, the Turkish business system has been experiencing significant transformation in terms of the state’s role in the economy, and legal, financial and industrial relations systems. The majority of these changes have been initiated as a result of ‘trickle-down’ mechanisms by transnational organisations, most importantly the stand-by agreements with the IMF and the accession to the EU. Moreover, considerable increases in FDI, particularly in some sectors (e.g. financial services and banking, communication technologies, consultancy, packaged food, etc.) bring changes to the market dynamics through ‘trickle-up’ trajectories, where individual firms (micro level) influence government (macro level) institutions.

‘Dominance’ effects can be identified in the continuous and significant changes in the institutional environment in Turkey. As a candidate member country with its developing national economy dependent on international trade, loans and FDI, Turkey is clearly in a weaker position in comparison to the EU in accepting its influence, i.e. ‘trickle-down’ trajectories, particularly for changes in legal as well as economic and trade rules. The IMF is also in a stronger position against Turkey in imposing its rules as Turkey had to sign stand-by agreements to find solutions for its extreme economic problems.

However, Turkey cannot be defined as a ‘low-power country’ (Vo, 2004) particularly in comparison to newly developing, emergent and transitional countries. There are some factors that provide a certain degree of leverage to Turkey’s institutional strength. A relatively earlier start in industrialisation and transition to a market economy, accumulation of private capital, and experience in certain industries are such factors, which are discussed in more detail later in the thesis. The socio-economic and institutional background of Turkey and the current changes in its business system are discussed in depth in Chapter 4, considering the important issues for a ‘hybrid transitional’ business system. It suffices here to state that there is a certain ‘hybridisation’ process in the institutional environment, many aspects of which are triggered by transnational organisations and globalisation.

In summary, there are a number of variables at the macro level that influence the institutional environment and business systems, which in turn affect the transfer of HR/IR. At the host country level, the distinctiveness of the business system, its relative power and its openness to change through global influences are the most significant factors. The nature of the home-country business system, the distinctiveness of its HR/IR system and the dominance of the country of origin are the other most influential factors at the macro, i.e. NBS, level. In this study, the transfer of HR/IR policies and practices of MNCs originating from a strong home-country with distinctive HR/IR models to a 'hybrid transitional' host country defined in terms of its relative strength and openness to global influences on its institutional business environment is investigated, by also considering the additional factors at the meso (i.e. industry) and micro (i.e. organisational) levels, which are discussed in the next part.

2.4.2. MESO-LEVEL ANALYSIS: SECTORAL INFLUENCES

Porter argues that the sectoral characteristics, such as product types, production factors (resources, technology, economies of scale, etc), demand, etc., define different patterns of competition, which might in turn directly influence employment systems and practices. The institutionalist approach, however, argues that there are problems in such an approach when moving from national to transnational as the '*constitution of sectors varies by national context*' (Whitley, 1992). For example, employer or trade associations are strong features of German and Asian economies whereas they are weak or absent in Anglo-Saxon economies (Traxler *et al.*, 2001). Within the institutionalist approach therefore, sector is generally treated as a second-order influence on employment systems, in an interplay between home- and host-country effects. However, as argued by Colling and Clark (2002) in their case study of an US MNC in the UK, sectoral characteristics can change that interplay and, moreover, present alternative influences of their own.

At the heart of Porter's classification lies the argument that the pattern of international competition in industries varies along a spectrum of multi-domestic to global. In multi-domestic industries, competition is confined to individual countries, therefore there are few MNCs in these sectors as they cannot benefit from their international competencies, i.e. brand names, reputation, economies of scale, customer base, etc. Subsidiaries are left considerably independent of the corporate control, as they depend more on local inputs. It is argued that the (HR) management in these sectors is less international, and more locally responsive. At the other end of the spectrum, in global industries, firms compete on a truly global scale in many countries making use of their international assets. As competition in one country influences competition in others, a higher level of support from HQ is provided in terms of technology and know-how, as local subsidiaries are less dependent on the local environment. In such sectors, more significant effects of home-country are claimed in the management of MNCs (e.g. Ferner, 1997). However many industries become more global as a result

of changes in technology, demand, government policies and infrastructure (e.g. banking, auditing, garments). There might also be differences within sectors, where global competition is observed within a sub-sector of a multi-domestic industry. Therefore, HRM transfer in MNCs needs to be analysed by considering different sectoral conditions and influences. Consequently, sectoral level analysis is incorporated to the analytical framework of this study to investigate possible influences of industry as a mediating factor below the macro, NBS, level.

2.4.3. MICRO-LEVEL ANALYSIS: ORGANISATIONAL INFLUENCES

Influences of the home- and host-country business systems are analysed at the macro-level of this framework, while possible influences of sector are considered at the meso-level. However these two levels of analysis might not be sufficient to fully understand variations and similarities between HRM behaviour of MNCs in different host countries. Therefore the impact of organisational characteristics of the MNCs is considered as the third, micro, level of the conceptual framework. HRM behaviour of MNCs is shaped at the intersection of these three different levels of variables.

Many studies state the influence of such organisational characteristics as the company's age, size, ownership structure, employee relations, management style, organisational culture, etc. (Bartlett and Ghoshal, 1998; Rosenzweig and Nohria, 1994; Shenkar and Zeira, 1987; Yuen and Kee, 1993, to name a few). The age, time and length of internationalisation of the company can predict some aspects of its HRM behaviour. For instance, according to Yuen and Kee (1993) tendency for developing more standardised and formalised HRM policies increases with time while formalised HR function and less dependence on external labour market are found in larger companies. Moreover, the MNC might be large internationally but its size in that particular host country might be comparatively smaller, which might predict either an ethnocentric approach (Perlmutter, 1969; Dowling *et al.*, 1999), i.e. transferring its home-country applications directly to the subsidiary, or oppositely, by a polycentric approach, which means adopting the host-country applications.

Evidence from studies in MNCs with different structures of ownership is used to argue for the significance of ownership structure of the subsidiary as another important variable in shaping the HRM behaviour. Research findings suggest that there are certain implications of shared ownership (i.e. IJVs) for the transfer of home-country HR/IR policies and host-country applications adopted. The parent on which the subsidiary is more resource-dependent, for example, is found to be more influential on the HR decisions of US companies in Mexico (Martinez and Ricks, 1989). While the ability of the local partner to use its expertise and knowledge to access raw materials and local markets is a source of influence, control of product and process technologies is stated as the main source of power in decision-making (Shenkar and Zeira, 1987). The ownership structure can therefore be

considered as a possible source of impact on the transfer of parent-country HR policies and applications to subsidiaries.

Another organisational factor is about the investment type: direct transfer of a foreign parent-company's HRM policies to greenfield subsidiaries are observed to be more likely than to brownfield ones, as their introduction and acceptance at a newly established organisation receives much less resistance than at an ongoing operation that has already established policies and practices (Lu and Bjorkman, 1997).

Finally there are issues of power and political behaviour at the organisational level within the subsidiary and MNC that constitute another micro-level influence (see above). To investigate the influences of various organisational factors and issues the micro organisational level is incorporated to the analytical framework below the NBS and sectoral levels.

2.4.4. FUNCTIONAL-LEVEL ANALYSIS

Although the macro (i.e. NBS) and meso (i.e. sector) level frameworks are argued to set certain types of organisational behaviour, there can be internal differentiation of management policies and practices within an MNC in different functions as well as within the HRM function. Therefore a generalist approach in international HRM, such as Perlmutter's (1969) typology of ethnocentric versus polycentric, might not be sufficient to understand and explain different policies in various management functions. Therefore substantial issues in HR/IR need to be analysed separately (Kostova and Roth, 2002).

While considering host- and home-country influences, it is possible to see that some HRM practices closely follow foreign parent ones while others are similar to those of the host-country or local parent (in the case of IJVs). Some issues, such as work hours, holidays, retirement, pensions, etc. are found to be closely following host-country practices, as a result of being subject to restrictive local regulations. Other aspects of HRM are found to be much less limited by such local regulations, such as salary structure, promotion, etc. therefore being more easily and directly transferred from foreign parent's applications (Rosenzweig and Nohria, 1994). In the issues where local and sectoral regulations and conditions are highly constraining (e.g. unionisation) decentralisation of the management of these to the local managements is often observed (e.g. Schmitt and Sadowski, 2003). There might be other sectoral influences on specific issues, such as training and development, benefits, etc. Emphasis placed on certain substantive areas might finally reflect MNCs' individual characteristics, such as a major organisational change period. Therefore substantive areas in HR/IR need to be separately analysed by taking conditions and constraints at the previously discussed three

levels of the framework. At the bottom of the framework for this research thus lies the HR/IR functional level.

2.5. CONCLUSION

In this chapter, relevant literature has been critically reviewed in order to propose an analytical framework to study the research questions by using an appropriate line of inquiry, methods and the conceptual tools to analyse the empirical evidence. The proposed four-level framework consists of the macro (the national business system), meso (the industry), micro (the company) and functional (HR/IR) levels of analysis. Such a framework is established in an effort to bring various influential factors and analyse their individual and combined effects on the economic and managerial behaviour of MNCs organisations at the subsidiary level.

For the macro level, two opposite theories of convergence and divergence are reviewed. Earlier theories of technological determinism and more recent theories of globalisation claim increasing similarities, i.e. convergence towards ‘best models’, between economic behaviour in different countries. Divergence theories on the other hand claim an opposite view by arguing that significant differences between national cultures and institutions will continue to exist despite influential pressure from intensified economic globalisation, and shape economic behaviour in different nations accordingly. In fact, these two approaches (i.e. globalisation and comparative institutionalism) complement each other in certain aspects, particularly given the empirical evidence in the recent years, as in the model suggested by Djelic and Quack (2003). Their ‘stalactite’ model proposes that influences of globalisation result in consequential changes, though slowly, in the institutional environments of national systems through ‘trickle-up’ and ‘trickle-down’ trajectories. This approach is particularly suitable to research the questions of this study in a ‘hybrid transitional’ national environment, which is argued to be affected more from such changes due to certain institutional characteristics. At the macro level therefore influences of the national institutional systems and globalisation on the business systems and economic behaviour of companies are both considered.

Sectoral influences are considered at the second level of the framework, as literature suggests that apart from national institutional effects, industry in which the company operates can have a mediating role in shaping economic behaviour. In addition to industry, organisational aspects as the third level of the conceptual framework are also considered to analyse the transfer of policies and practices of MNCs at various substantial areas of HRM/IR, such as recruitment and selection, compensation and benefits, and employment relations.

CHAPTER 3. RESEARCH METHODOLOGY

3.1. INTRODUCTION

Following the discussion of literature and presentation of the analytical framework, this chapter aims to justify the research methodology and design adopted, and methods used in terms of their suitability for the purposes and research questions of this study. The chapter begins with the research design, where the rationale for the choice of home- and host-countries to investigate their influences on the transfer of HR/IR policies and practices is discussed. In the rest of section 2, qualitative case study methodology is evaluated for its appropriateness for this research. Section 3 comprises discussion of hypothetical sampling of cases, i.e. detailed analysis of criteria for the selection of core and non-core case companies. Next section presents data collection methods and fieldwork, and discusses reliability and validity issues. In the last section data analysis process and methods are discussed before a short conclusion closes the chapter.

3.2. RESEARCH DESIGN

This research aimed to investigate the interaction of parent- and host-country effects and their impact on the HR policies and practices of MNCs in a distinctive host business environment. More specifically, primary research aims were:

1. to understand to what extent and how parent-country HRM policies and practices of American companies were transferred to their subsidiaries operating in the novel business environment of Turkey; and
2. the effects of the latter on these policies and practices.

To examine the HR behaviour of American MNCs operating in Turkey, a ‘hybrid transitional’ business system, one exhibiting a mix of traits of both developed and developing economies, detailed case studies in American MNCs were carried out. Companies from various sectors were studied with a qualitative research approach, to consider sectoral and ownership effects. In the rest of this section, firstly, rationale for the choice of host- and home-countries is presented and, secondly, qualitative case-study methodology is justified.

3.2.1. *RATIONALE FOR STUDYING AMERICAN MNCS*

The United States (US), as the predominant economy in the world, has led the way as the originator and receiver of FDI. American MNCs comprise the majority of those listed in the top 100 TNCs by UNCTAD (1999). Between 2000 and 2004 American FDI outflow was annually on average US\$150

billion¹. As the dominant economic power and foreign investor, the USA has long been seen as the model not only for other MNCs but also all business around the world. Although divergence theory, and this research, argues that there is no single best model for effective management because of the variations in business systems, American MNCs have nevertheless been the diffusers of HRM practices given their dominant position in the international economy.

American MNCs are moreover argued to be 'ethnocentric' in their (HR/IR) management approach in other countries they operate in that they tend to transfer their home-country policies and practices to foreign subsidiaries, thus usually referred as 'innovators' in HR/IR. US MNCs were therefore chosen as marked cases to investigate home-country influences on the HR/IR policies in foreign subsidiaries.

Another reason for studying American MNCs in Turkey was that the USA has been the dominant political and economic ally of Turkey. Starting in the 1950s with Marshall Aid, mainly because of Turkey's location during the Cold War, American aid and capital have always been the major source of foreign support for Turkey. Large American MNCs, such as Coca Cola and Pfizer, were among the few earliest foreign direct investment (FDI) companies in Turkey, in the late 1950s and early 1960s. Turkey has been classified among the ten Big Emerging Markets (BEMs) by the US government, along with China, India, Russia and Brazil, which are expected to offer the greatest commercial growth opportunities in the 21st century (Tatoğlu and Glaister, 2000:4). American FDI in Turkey ranked fourth in 2005 in terms of the total number of companies (Table 3.1) and first in 2005 according to the quantity of total capital inflow (Table 3.2). Moreover, it is now widely known that many foreign companies make their investments through the Netherlands and Belgium due to the tax advantages in these countries (a recent example was Vodafone of the UK) and the country of origin is registered as the country from which the capital is transferred to Turkey, not the home-country of the company². Although exact percentages could not be calculated, it was convincingly argued by Treasury specialists that a significant proportion of the FDI registered from the Netherlands (and Belgium, more recently) has actually been made by prominent American companies. Therefore the role of US companies in Turkey might well be understated as the ultimate origin has not necessarily been accurately recorded in government statistics. In any case, the analytical reasons for choosing the USA as the home country outweigh practical reasons.

To investigate home and host country influences on the transfer and formation of HRM policies and practices by looking at theoretically significant examples of national business systems, a single country research design was adopted. It can be argued that a comparative design where MNCs from two different host countries were researched would have provided a stronger perspective for analysing

¹ www.bea.gov

² Interviews with Treasury specialists, General Directorate for FDI; Radikal newspaper, 03.05.2007, p.15

host country influences. While such a design would have had its own merits, the aim of this particular study was to explore both home and host country influences. Especially as an initial example of an exploratory research on MNCs and HRM policies in Turkey, it was decided to stick with the single host nationality design to do an in-depth data collection and analysis. Moreover, cases from various sectors were selected to examine meso-level influences of industry, and it was not possible to find matching cases of American and another nationality in different industries. Therefore a single country design was implemented for this exploratory study, to use the findings for a comparative study subsequently.

	Total number of foreign capital firms	
	2002	2005
Germany	992	2,045
United Kingdom	385	926
The Netherlands	495	925
USA	369	624
France	271	459
Italy	240	417
Others	2,874	6,289
T O T A L	5,626	11,685

Table 3.1. Major foreign direct investor countries in Turkey, 2002 and 2005 (Source: General Directorate for Foreign Capital)

	No of new investments		FDI Capital (million US\$)	
	2002	2005	2002	2005
USA	40	103	2	1,894
Germany	65	520	86	335
Belgium	5	51	5	1,076
France	23	81	22	263
The Netherlands	46	214	72	296
UK	35	330	8	267
Italy	16	68	241	676

Table 3.2. Distribution of FDI inflow and number of established companies by major investor countries in Turkey, 2002 and 2005 (Source: General Directorate for Foreign Capital)

3.2.2. *RATIONALE FOR STUDYING TURKEY AS THE HOST COUNTRY*

A key reason for choosing Turkey as the host country is to extend the limited range of countries where similar research has been carried out. The Triad, i.e. USA, E.U. and Japan, as the originator and receiver of the largest share of FDI, also dominated the research arena. Recently, more studies in other parts of the world, e.g. eastern European, China, India, Brazil, etc. have been done. Additionally, although classified as a developing country by OECD and the World Bank, Turkey in this study is argued to be a distinctive ‘hybrid transitional’ host environment with its characteristic business system, i.e. the complicated nature and role of the state, education, financial and IR system, as a result of its economic developmental history. While distinguishing characteristics of the Turkish business environment (including FDI inflow) are discussed in detail in Chapter 4, it suffices to note here that Turkey has been in an important transition period since 2000, in terms of many of the elements of its NBS, especially as a result of influences of transnational institutions, e.g. the IMF-supported economic stabilisation programmes and E.U. accession plans.

3.2.3. *RESEARCH QUESTIONS AND QUALITATIVE CASE STUDIES*

Within the analytical framework, the main research questions of this study were:

1. What are the effects of the elements of the Turkish business environment on the transfer of employment policies and practices of US MNCs?
2. To what extent are American HR policies and practices transferred from the parent companies to the Turkish subsidiaries?
3. To the extent such policies and practices are transferred, how do the parent companies transmit them?
4. How do sector and ownership structures impact on the formation and transmission of HR policies and practices of US MNCs within the distinctive Turkish business environment?

In a research project, purposes and research questions determine the methodology (Berg, 1995). This study, due to its exploratory nature, and its ‘how’ and ‘why’ type questions, is conducted in case study format (Yin, 1994). According to Orum, Feagin, and Sjoberg (1991), a case study is:

“[A]n in-depth, multi-faceted investigation, using qualitative research methods, of a single social phenomenon. The study is conducted in great detail and often relies on the use of several data sources. [...] In case study research the nature of the social phenomenon studied has varied. It can be an organization; it can be a role or role-occupants; it can be a city; it can even be an entire group of people. The case study is usually seen as an instance of a broader phenomenon, as part of a larger set of parallel instances.” (p. 2)

As the definition implies, qualitative case study has a number of advantages for this type of a research. Firstly, like other qualitative designs, it employs a holistic approach, collecting rich and in-depth data about the various aspects of the phenomenon in hand. Studying at 'close hand' (Orum *et al.*, 1991:6), it takes the context and history into account while gathering and analysing data. Contextual embeddedness of the research allows for an understanding of events, institutions or processes and their interaction within the particular context (Snow and Anderson, 1991). Studied over time, by taking the historical and contextual dimensions into account, case studies provide us with a holistic and in-depth understanding of the issue studied. In a similar vein, Yin (1994) explains that case study allows the researcher to '*investigate(s) a contemporary phenomenon within its real-life context*', therefore it is the preferred research approach when '*the investigator has little control over events and wants to cover contextual conditions*' (p. 13).

As the strength of the case study approach lies in its ability to investigate the analytical research questions in depth in context, it was used as the most appropriate instrument to explore the 'Americanness' of HR behaviour in the Turkish business environment. Although a quantitative survey might have gathered more cross-sectional information, qualitative case study design permitted the investigation of causal relationships and an understanding of the processes in the transfer of home-country or adoption of host-country HR practices of American MNCs. Moreover, there is very little empirical or theoretical knowledge base in HRM in Turkey, let alone HRM in MNCs. Statistical data in Turkey is also very problematic to find and trust. Although it draws upon a variety of theories from different fields developed in different institutional and cultural environments, qualitative case study was chosen as an appropriate approach for this exploratory study.

A multiple, instead of single, case study design was adopted for a number of reasons. Firstly, multiple cases are suggested in a comparative framework in attempt to support the findings from a single case (Orum *et al.*, 1991). Developing several cases with different ownership and IR structures, that operate in different sectors in Turkey provided a basis to investigate the influences of these significant issues on the transfer and adaptation of HR policies and practices, in addition to host- and home-country effects. Yin (1994) argues that multiple cases increase the possibility of replication of findings, thus improving the generalisability of case study, similar to the logic of doing multiple experiments. Eisenhardt (1989), especially for building theory from cases, in a similar vein claims that one major advantage of using multiple cases is that a 'replication logic' across cases can develop (where there are more than five cases studied) to test findings and explanations generated from industry cases.

Using detailed and rich data, collected mainly by interviews, and analysed in context in the case-study format, this research helped gain insight into the 'how?' and 'why?' questions. Other features and

issues of the case study design are discussed in more detail in the last section, after case selection criteria are explained in section 3.

3.3. SELECTION OF CASES

The case study companies were chosen on the basis of ‘hypothetical sampling’ (Miles and Huberman, 1994) or ‘criterion-based sampling’ (LeCompte and Preissle, 1993:63) rather than ‘statistical sampling’. That is, analytically significant criteria determined the choice of the cases from among those American companies operating in Turkey. Janesick (1994:218) argues that theoretical sampling not only directs the study in the right way at the beginning of the fieldwork but also provides the researcher with more confidence in his/her data and the categories as they emerge and are re-formulated along the way. In this instance, the case study approach was chosen deliberately to explain how the substantive HR issues were influenced by elements of the host country and parent company. The cases were selected to ensure that analytical generalisations can be drawn.

As such, firstly, companies that involved the substantive HR areas and issues present were included by controlling for size and accounting for unionisation. Large and established US subsidiaries were selected as ‘formal’ HR/IR policy and systems were expected to be in place in such companies than in smaller and younger organisations. Studying unionised and non/de-unionised companies was needed to understand the transfer of IR policies and practices. Secondly, by basing the sample design on ownership and industry characteristics, cases that reflected the different company types that are known to affect the substantive issues under investigation were selected. These two independent variables have been identified through previous research as having a profound influence on company practice in any given country context.

3.3.1. *SIZE OF THE COMPANY*

Size, in terms of a company’s workforce, market share and capital investment, is a major criterion. Comparatively larger subsidiaries with established positions in the Turkish business environment were expected to have formal HR/IR policies and systems in place that might have been transferred from parent companies but influenced by the Turkish business system. This expectation was proven to be correct during the initial stages of the fieldwork, where interviews at smaller sales organisations revealed that HRM function was handled by one of the assistant general managers, also responsible for other support functions, such as IT, and that they did not have explicitly established and transferred HR/IR policies. Moreover, mature organisations were selected by looking at the year of investment by the American parent: oldest had over 50 years of history while most recent investment was made in the

early 1990s. Therefore (relatively) large, well-established subsidiaries of American MNCs, instead of newly set up and/or small representative, liaison and sales organisations, were chosen for this study.

3.3.2. OWNERSHIP STRUCTURE

A significant analytical variable is the ownership structure of the American subsidiary. In line with the global trend, Demirbağ, Mirza and Weir (1995) find that 48 per cent of all FDI projects and 69 per cent of FDI projects in manufacturing in Turkey are formed in IJVs, defined as 20-80 per cent capital belonging to the foreign partner (see also Tatoğlu and Glaister 2000:4). This is despite the fact that since 1980 (the period in which the largest amount of FDI was received) there have been no legal obligations to establish joint ventures as a condition for entering the host environment. Both IJVs and WOS were included as case study companies to investigate the influence of ownership structure on the transmission of HRM policies and practices.

Within IJVs, the percentage distribution of equity is argued to be a significant issue (Root, 1988). In the literature a distinction is often made between majority, fifty-fifty and minority ownership. In this research a similar approach was adopted. However the definition of 'majority' and 'minority' can show variances in different countries. For instance, the Turkish commercial law gives the majority ownership rights to a minimum of 51 per cent equity share. That is, the partner that has 51 per cent or more of the company equity has the complete power in the management of the company. That partner has the majority board memberships, therefore can take decisions by the majority vote. Thus, legally, there is no difference between, say, 15 per cent and 49 per cent ownership, if one of the partners has more than half of the equity shares. Accordingly, for Turkey, 'majority' ownership is defined as 51 per cent and higher equity ownership.

Another important issue in the choice of IJV case companies was the Turkish partner. Turkish business environment is characterised, among other issues discussed in Chapter 4, by large and diversified, conglomerate holding companies. It was hypothesised to be important to include IJV cases where the Turkish parent was among such holding companies to investigate the influence of different company characteristics. These holdings usually are proud to have established IJVs with partners from various countries, particularly the US. Lastly, type of initial investment, i.e. greenfield versus brownfield, was also hypothesised to be significant in the transfer and formation of HR practices.

In this study, case companies were chosen accounting for the above ownership issues. Four of the seven main cases and two of the supporting cases were IJVs, with varying degrees of equity shares (Table 3.4) and representing major Turkish holding companies as partners. Although TexCO had been

bought out by the American parent after the fieldwork was completed, it was still considered as an IJV in this research. It should be noted that in none of the IJVs, American partner had a minority share, whereas the Turkish partner(s) had a minority share in three cases. In PharmaCO1 ownership was shared 'fifty-fifty', whereas in AutoCO1 both parents had equal equity and a minority share was publicly traded. In both of these core cases, board memberships and management were equally shared between the American and Turkish partners. In both PharmaCO1 and AutoCO1 (and FMCG4), and at their Turkish parents' HQ, top-level managers argued that these Turkish holding companies never accepted minority ownership in their joint ventures with foreign partners. The documentary research conducted later assured the same result. In the other (1 main and 1 supporting) IJV cases, the Turkish partners, who were also among the largest holdings, had minority ownership from the beginning. In TexCO seven Turkish partners (corporate and individual) shared 49 per cent equity among themselves. Other cases represent WOS, while three of them started as brownfield IJVs, where the American partner bought out the company afterwards. Of all the cases, six (three in core and non-core each) were brownfield and 11 were greenfield investments.

3.3.3. SECTOR

Industry characteristics are argued to have a significant effect on shaping the management of subsidiaries, including HRM, and explaining variations in HRM/IR patterns (Colling and Clark, 2002). As discussed in Chapter 2, within the institutionalist approach, sectoral influences are commonly given a secondary role to home- and host-country influences and discussed as a mediating factor. The institutionalist approach takes the development of sectors as 'embedded' in their national business systems, shaped by the features of institutions i.e. training and education, state's role, financial system etc (e.g. Hall and Soskice, 2001). Although this approach is very useful in comparatively analysing sectoral employment systems in different countries, other approaches need to be incorporated into the institutionalist framework to analyse the employment systems in the transnational arena.

Drawing on Porter's (1998) and Bartlett and Ghoshal's (1998) studies on types of international competition, one approach argues that sectoral characteristics, such as product types, production factors (resources, technology, economies of scale, etc), demand, etc., define different patterns of competition which imply certain management approaches across national boundaries and in turn directly influence the employment systems and practices. Ferner (1997) for instance hypothesises that the transmission of home-country influences will be more significant in more 'globalised', highly internationalised sectors as opposed to domestically oriented industries. In this approach, sector is still given a secondary role, although for example Marginson and Sisson (1994) claim that the nature of particular business sectors has even more effect on the HRM practices of MNCs than home- or host country effects.

One problem with this approach is the inclination towards classifying industries into ‘boxes’ of global and multi-national. Porter’s (1998) classification is rather a spectrum, where many multi-domestic industries are in fact moving towards more global, just has been the case in clothing and garment industry which is now considered as highly globalised sectors, especially due to internationalised supply chains (Lane and Probert, 2004). There can also be differences between segments of an industry, such as in the luxury hotel segment, where competition is global within the hotel industry, which is generally considered as domestically oriented. Therefore it was important to incorporate patterns of sectoral specialisation into the discussion of home- and host-country influences.

Industry is therefore argued to be the other theoretically significant variable. Cases from various sectors and segments were chosen to understand sectoral formation and its direct and indirect influences on (HR) management systems at national and transnational levels, while also accounting for major fields of American investment in Turkey (Table 3.3).

According to Turkish official data (Table 3.3), the largest share of American investment (72 per cent) was in manufacturing, which is not in line with the general trend: services (including utilities, construction, and commerce and trading) has received almost 75 per cent of the total FDI in Turkey³. Within manufacturing, according to Treasury’s classification, food and drinks, transportation vehicles (cars and trucks), chemicals, iron-steel, tobacco, and textiles have the largest share in American investment in Turkey. This pattern was in general in line with American investment globally: American companies invested highly in manufacturing (chemicals, computers and electronic devices, automobile production and foods manufacturing in particular)⁴. Moreover, within the manufacturing sector, FDI investment in Turkey was concentrated in food and drinks, textiles, chemicals, and automobile production. American investments in services in Turkey were not classified in detail, which was explained by the high number of small firms operating in various activities⁵. Especially from 2002, and in 2005 in particular, banking and finance received considerable FDI (including American) through mergers and acquisitions as well as privatisation, which increased the share of FDI in the sector. Although the selection of cases was made before that trend started, a financial institution was included in the core cases.

³ Calculated according to the total number of foreign capital companies, FDI in 2005 Report, by General Directorate for FDI, May 2006, available at www.treasury.government.tr

⁴ FDI in 2005 Report, by General Directorate for FDI, May 2006, available at www.treasury.government.tr

⁵ Interview with Treasury specialists, General Directorate for FDI.

S E C T O R S	No. of firms	Total capital of American FDI companies	% share of this sector in the total American FDI in Turkey
MANUFACTURING			
Food/drink manufacturing	24	60,441,066	17
Transportation vehicles	5	37,643,694	11
Iron-Steel	1	36,218,900	10
Other chemical products	13	24,318,475	7
Tobacco products	5	21,359,368	6
Industrial chemicals	3	21,091,317	6
Textiles	7	20,314,907	6
Other manufacturing	73	33,423,458	9
MANUFACTURING TOTAL	131	254,811,185	72
SERVICES			
Other consumer services	46	27,425,353	8
Trade	106	25,921,958	7
Banking and other financial services	7	17,054,184	5
Other services	121	22,476,611	6
SERVICES TOTAL	280	92,878,106	26
MINING TOTAL	5	5,988,883	2
AGRICULTURE TOTAL	11	1,838,393	1
G R A N D T O T A L	427	355,516,567	100

Table 3.3: Sectoral distribution of American investment in Turkey (US\$, as of 28.02.2001)⁶

Source: General Directorate for Foreign Capital

While sectors were chosen to reflect the industrial dimensions discussed above, priority was given to accessing the key players within them. Various organisational level variables, i.e. having a large market share, being a dominant actor, a leading investor, and a large employer in the domestic market, might mean more power for MNCs in transmitting home-country policies and practices to the host-country environment. Accordingly, main American companies in major segments of theoretically significant manufacturing sectors, i.e. food and drinks, automobiles, tobacco, pharmaceuticals, textiles,

⁶ This table was compiled by changing Turkish Lira figures into US\$ by using the average exchange rate in 2001 (1US\$=1,224,554 TL) announced by the Central Bank of Turkey (www.tcmb.gov.tr). The sectoral distribution according to countries was not publicly available and was provided to the researcher by the Treasury specialists interviewed. This information was not available for more recent years. Particularly since 2002, American FDI has been increasing, therefore these figures do not reflect the up-to-date information; however they are still useful to give an idea. Moreover, the selection of cases was based on the situation at the time of the fieldwork.

and packaged consumer products, were studied. Other cases were chosen to represent the various segments of services, i.e. retail banking, auditing and consultancy, hotel and IT.

3.3.4. UNIONISATION

Industrial relations (IR) is one of the substantive issues discussed within the functional level of the analytical framework as a dependent variable for addressing questions of parent- and host-country influence. It is commonly agreed that American companies have an anti-unionist stance, a distinctive indication of US home-country influences on their IR behaviour in other countries. Subsidiary's unionisation was therefore a key aspect. To explore collective employment relations in terms of how far it reflected pressure from parent-country, adaptations to local environment or a combination thereof, unionised, de- and non-unionised companies were chosen as case studies to compare HRM/IR policies and practices of unionised, sophisticated non-union and, anti-union American MNCs. Table 3.4 provides a breakdown of the cases according to the selection criteria.

Company	Line of Activity	Ownership structure	Mode of entry	IR	Turkish Parent	US Parent	No of employee
CORE CASES							
1. AutoCO1	Commercial vehicles and cars (production and sales)	IJV (equal US* & TR*)	Brownfield	Unionised	Holding1	USAuto1	8,008
2. FMCG1	FMCG (packaged food; production and sales)	WOS	Brownfield	De-unionised		USFMCG1	510
3. FMCG2	FMCG (tobacco products; production & sales)	IJV (majority US*)	Greenfield	Non-unionised	Holding2	USFMCG2	1,600
4. PharmaCO1	Pharmaceuticals (hospital care; production and sales)	IJV (equal US* & TR*)	Brownfield	De-unionised	Holding3	USHealth1	554
5. TexCO	Clothing / garment (production and sales)	IJV (majority US*)	Greenfield	Unionised	4 TR JVPs	USClothing	660
6. FinCO	Retail and corporate banking	WOS	Greenfield	Non-unionised		USFinance	2,249
7. HotelCO	Hotel	WOS	Greenfield	Non-unionised		USHotel	260
SUPPORTING CASES							
8. AutoCO2	Automotive components (production and sales)	WOS	Greenfield	Unionised		USAuto2	2,700
9. FoodCO	Food (cornstarch-based sugar & nuts; production & sales)	WOS	Brownfield	De-unionised & unionised (1 plant)		USFood	300
10. DefCO	Defence industry (production and sales)	IJV (majority US*)	Greenfield	Non-unionised	Holding4	USDefence	
11. TAC1	Tax, audit, consulting & corporate finance services	WOS	Greenfield	N/A		USTAC1	550
12. TAC2	Tax, audit, consulting & corporate finance services	WOS	Greenfield	N/A		USTAC2	300
13. ITCO1	IT (sales)	WOS	Greenfield	Non-unionised		USIT1	
14. ITCO2	IT (sales)	WOS	Greenfield	Non-unionised		USIT2	100
15. PharmaCO2	Pharmaceuticals (sales)	WOS	Greenfield	Non-unionised		USHealth2	
16. PharmaCO3	Pharmaceuticals (eye care; sales)	WOS	Greenfield	Non-unionised		USHealth3	45
17. FMCG3	FMCG (cleaning, health & beauty care, pet food; production & sales)	WOS	Brownfield	Unionised (only at one plant)		USFMCG3	650
18. FMCG4	FMCG (tissue & paper products; production & sales)	IJV (equal US* & TR*)	Brownfield	Unionised	Holding3	USFMCG4	

Table 3.4. Companies studied

*US: American partner, *TR: Turkish partner

3.4. DATA COLLECTION

3.4.1. GAINING ACCESS

Possible case-study companies were determined according to theoretically significant criteria discussed above and by researching company information from various sources (e.g. commercial section of the US Embassy in Turkey, Istanbul Chamber of Commerce, FDI Department of the Treasury, web sites of companies, etc). Access was initially sought through friends who either work for these companies or have professional relations with high-level managers. An introduction letter (see Appendix 1) was sent directly to these contact people, after they were contacted by friends, with an additional note reminding the referral, asking for their help in contacting HR/IR department. This *'effective use of elements and actors in the natural environment in order to develop working relationships'* (Berg, 1995:48) had proven to be a sound approach for the Turkish business environment for a number of reasons: firstly, there is not yet an established research 'culture' in Turkey. Managers are not accustomed to, particularly qualitative, research, therefore are very reluctant to provide information through interviews or deeper access to companies. Some have had very disappointing previous experiences and lost trust in researchers, such as in the instance where an HR manager provided the company pay scheme (with figures) in confidence, only to see it published in the HR supplement of the highest selling national newspaper the next day. Even with credential referrals, gaining trust was the key in getting the first interview appointment; therefore confidentiality and ethical issues, as well as the research aims, methods and researcher's affiliations with reputable universities in Turkey and the UK were emphasised in the introduction letter and subsequent e-mails exchanged.

Once having managed to meet managers, the researcher was usually able to build a trusting and professional research relationship, through establishing a positive rapport, conforming to the expectations of business people in Turkey, which included a dress code appearance and courteous behaviour (Berg, 1995). The researcher's identity as a lecturer in a reputable university in Turkey and a doctoral candidate in the UK proved to provide a favourable image at the outset. Always keeping a professional appearance, the respondents were briefed at the beginning of each initial interview about the research project (by going over all the issues emphasised in the introduction letter once again in person), and the interview process (explaining the major fields of interest, plans to do the interview, asking for their consent for taping etc). Despite not being among the western and developed countries, the Turkish business culture in large organisations is quite similar to the western understanding: it is quite formal, kept at a professional level. Personal matters are not even mentioned in most instances, except where particular mutual interest points come into the scene after a few meetings, and the warm-

up chat at the beginning of interviews is usually kept short, as opposed to the usual practice in some other eastern cultures.

Recommendations from well-trusted friends provided the initial access (except in two cases where access was denied at the beginning or no response returned to subsequent calls). However it depended on the researcher to build and keep the research relationship going. In some cases, due to special circumstances of the company, gaining access depended a great deal on the researcher's tenacity and flexibility despite the initial referrals and contact people. In only two companies, it was obvious that the manager accepted to give an interview only because s/he could not refuse the person who recommended the researcher and it was not possible to continue after the initial interview. Many other HR/IR managers helped in various ways (giving interviews, providing company documents, arranging interviews with other managers in the subsidiary and at the regional HQ, and in a few cases, in other companies) because of a general belief in 'the importance of education and its contribution to the future of our country'⁷.

In addition to the referrals used especially at the initial stages of fieldwork, every opportunity was deliberately used to meet (HR and other) managers of prospective case companies to personally explain about the research and build that crucial trust. The researcher followed Personnel/HR conferences for practitioners in Turkey; was involved in the organisation and implementation of a national HR workshop at the university where she works; and attended college recruitment presentations of possible case companies and/or the Turkish holding companies that were partners in the IJV cases. When it was possible to explain about this research in person with much enthusiasm and the nature of help needed, it was much easier to get the affirmative reply, even from the highest-level managers. The researcher was able to gain access to a significant number of interviewees and companies with this method. Accordingly, the researcher's experience in and innate knowledge of the local business culture has been key in this research in accessing case companies.

Using these various access methods, the researcher was able to secure research at 18 companies. Only seven were developed into core cases, while the others were used as supplementary cases in particular for relevant issues (e.g. unionisation). The choice of the core cases depended on two main factors: firstly, these companies met the most important analytical criteria, i.e. sector (major American investment in Turkey and major players in their sectors), ownership (wholly-owned or IJVs where Turkish parents included the major Turkish Holdings), and unionisation issues. Although supplementary cases were also major players in their sectors and sub-sector and satisfied some of these criteria, core cases in general included all of the analytically interesting elements. To illustrate

⁷ Interviews with HR managers at various companies, e.g. AutoCO1, FMCG1, DefCO, etc.

with an example, AutoCO1 for instance was a major player in the automobile production, with a long history in Turkey, an IJV with the Turkish JVP among the most important Turkish Holdings, and unionised. AutoCO2 on the other hand was a much more recent player, in the supply sub-sector, unionised and a WOS. It was therefore used for comparison purposes, and as complementary data to understand the significant issues in this sector and unionisation. Secondly, practical reasons guided the selection of core versus non-core cases: smaller number of interviews at the subsidiary and especially regional HQ levels were attainable in the supplementary cases. Those companies that could be investigated in more detail were selected as core cases.

3.4.2. FIELDWORK

Fieldwork was conducted in three time periods, during spring-summer (March-August) in 2002, 2003 and 2004, mainly due to the location of the case companies and work arrangements of the researcher. Location was not a significant variable for the choice of companies, as only a very few large FDI companies are located out of the Istanbul-Izmit region, industrial, financial and commercial capital of Turkey, whose official capital is Ankara. Accordingly, all but one of the case companies' HQ was in this region (in many of the cases, production facilities were also in this area, with a few exceptions). As the researcher lives in Ankara, which is about 6 hours' drive to Istanbul, fieldwork could only be arranged in extended free periods when the researcher was not teaching. Arrangement of interviews with very busy high-level managers required flexibility, time and organisational skills. Therefore it was not worth travelling to Istanbul for only one or two interviews, which was nevertheless done a few times, not to miss the promised opportunity of interviewing a key person. Arrangement and conduct of interviews at the regional HQ in various European cities also needed unrestricted free time for the same reasons. Hence the 3 intervals, which in fact were consistent with the longitudinal characteristic of case studies. According to Snow and Anderson (1991) the fact that case study is conducted over a time provides a major advantage that it *'facilitates the possibility of capturing and analysing events and happenings, interactions and relationships, and groups and institutions as they emerge and evolve across time'* (p. 161). This longer fieldwork phase provided an opportunity by following-up changes in HR policies and practices in the case companies, and a clearer understanding of how changes and interactions in the institutions and business environments influenced the former. However it was also a major challenge for learning how to keep research relations going for a longer time and deal with frequent changes in appointments. The fieldwork consisted mainly of interviews and site visits. Document analyses and non-participant observation were the other data collection methods used to investigate the research questions. All three data collection methods are discussed in detail in the next section.

3.4.3. INTERVIEWS

Weiss (1994) argues that it is the research purposes that determine research methods and qualitative interviews can be used for a variety of research aims, including '*developing detailed descriptions*' and '*describing process*' (p. 9). Therefore qualitative interviews were used for this exploratory study to understand the complex causal relationships and the processes through which employment systems are developed and transferred within a MNC. Rich data were mainly collected through in-depth semi-structured interviews with significant respondents in the case companies. Interviewees were primarily the most senior HR/IR managers of the Turkish subsidiaries. In Turkey, subsequent interviews with the more specialised HR staff, e.g. plant HR managers and HR specialists where available, provided more detailed information on recruitment and selection, training and development, and industrial relations issues, from a different level of the organisation.

One of the important advantages of case study research is that it is 'multi-perspectival': it brings perspectives of various related actors and institutions, and their interaction, into the picture (Snow and Anderson, 1991:154). Accordingly, in addition to HR managers, information from other related parties from within and outside the company, was also sought in this research. Interviews with general managers, managing directors and other key relevant functional managers were carried out where necessary and justifiable in terms of the substantive issues chosen for investigation. For instance, expatriate top-level managers (i.e. general and deputy/assistant general managers, chief financial officers, sales and marketing directors, operations directors etc) were interviewed not only to get the company perspective from the highest level of management in Turkey but also the American corporate perspective.

In the case of IJVs, where the Turkish parents were among Turkey's largest holding companies, HR co-ordinators of the Turkish Holding companies were interviewed to build the Turkish partner's corporate perspective into the picture. Interviews with operations managers were attained in the manufacturing companies during site visits, to better understand the HR related issues of operations. Work force composition, training and development as well as related parts of performance assessment were among the issues discussed. Depending on the amount of access, in many of the core cases, finance, and sales and marketing managers were also interviewed as these line managers provide additional information on recruitment and selection as well as the application of performance evaluation systems. Additionally, previous HR managers and Holding HR co-ordinators were interviewed in the cases where getting a historical view (especially about de-unionisation) was important. In such cases, these managers were involved in the initial establishment of the companies and their HR/IR systems and they were able to share their knowledge and experiences. Additionally,

one of the HR managers had worked at the regional HQ as a Turkish expatriate in HRM, so she was able to fill in about the corporate perspective.

In line with the efforts to bring in multiple perspectives from related actors and institutions, interviews were conducted also with top-level union representatives of unionised and de-unionised companies, as well as non-union companies where there had been attempts by unions to get organised. Employers' associations are organised in many sectors in Turkey as counterparts to labour unions. Interviews with representatives of the employers' association were held to take all the related actors into account, hence to triangulate information on the IR issues.

Originally interviews were planned at the US HQ levels to capture the corporate perspective on international HR policy and for triangulating data. During the course of fieldwork, it is found that in all but two of the cases there were no direct lines established between the Turkish subsidiary and the American HQ. Reporting and communication lines at the HR manager/director level were with the regional HQ, although in one or two cases occasional contact with the corporate HQ in the USA was reported. Moreover some of the higher level respondents claimed that policies were developed separately for the main regional areas (e.g. North America, Latin America, Europe, Rest of the World, etc) and 'rolled out' from the regional HQ to sub-regional HQ on to individual countries. It therefore proved to be very difficult to access the relevant people at corporate HQ level as the Turkish (HR and even general) managers did not have any direct contact. Access was primarily sought and gained at the regional HQ level through the respondents at the Turkish subsidiaries. In most companies, regional HQ was in Europe and interviews with top-level HR directors in various European cities were conducted face to face by the researcher. In two cases where the Turkish subsidiaries were directly reporting to the US and 'rest of the world' HQ, telephone interviews were done, as a substitute, due to financial and time constraints.

A total of 118 interviews were conducted in 18 companies, trade unions, employers' associations and the Treasury's FDI Department. Interviewees comprised HR specialists, managers, directors and coordinators, functional and general managers, expatriates, (regional/corporate) HR directors, and union representatives. Table 3.5 provides a summary of the distribution of interviews according to companies; those not included in this table were done with the objective of understanding the general environment, i.e. cannot be traced to a specific company, for instance at the FDI Department of the Treasury, etc). In the fully developed, i.e. core, cases, six to 19 interviews, depending on the size of the company and access gained, of between one to three hours were completed. In some (especially service sector) companies the management team consisted of smaller number of people or there were no specialists, hence the smaller number of interviews. Also a smaller number of interviews were done in the WOS, where there were no Turkish partners, or in the non-union companies, where there

had never been a union or an attempt for unionisation, as these were also theoretically important cases, particularly for comparison purposes.

Interviews with HR/Personnel managers, as the main data collection tool, were semi-structured. The initial fieldwork guide, which included a detailed list of issues to be covered, had been revised as interviews progressed and specific issues arose, to uncover the particularities of companies and the host-country (see Appendix 2). Although the same list of the topics that focus on the substantive issues of the research were completed with all the HR managers and regional HQ managers, emphasis changed from company to company. Except when the respondents explicitly preferred their interviews not to be taped when asked for their consent, or the interviews with trade union representatives where taping was not even considered an option, a vast majority (97 out of 118) interviews were taped and verbatim transcribed. Detailed notes and direct quotations were taken during the interviews that were not taped and these were also transcribed, and all transcriptions were shared with respondents for any possible misunderstandings and/or corrections and used as data only after being agreed by the respondents.

Besides the formal interviews listed in Table 3.5, more informal (and non-taped) exchanges about the companies' HR policies and practices had taken place with friends, acquaintances and colleagues who (still or used to) work in those companies. These people, who in some cases were the ones introduced the researcher to the HR managers, knew about the research project and gave specific examples from their own experiences. These exchanges were therefore more than just friendly conversations, but took place in more relaxed environments. Detailed, non-interpretative field notes were used to record such exchanges and shared with the respondents.

As well as one-to-one interviews, college recruitment presentations mentioned above provided an additional source of information. MNCs in particular and large Turkish companies use universities' career days/fairs extensively, as an important recruitment and advertisement tool. These formal presentations to students were regarded as an additional source of information, to compare or add on to the data provided in the interviews on such substantive issues as recruitment and selection, training and development, policies. During the write-up period, relevant HR people at the subsidiary level were contacted via e-mail to fill in a short survey about the benefits provided in the case companies (see Appendix 3). The purpose of this questionnaire was twofold: first, to compile a standardised list of benefits provided, and secondly, to see whether any changes had occurred since the interviews had been completed. Answers were followed-up via further e-mails where explanations were sought. The majority of the respondents were very helpful and data were gathered in a few days. As a final source of information, the researcher attended high profile conferences organised by prominent FDI bodies (e.g. the Foreign Direct Investment Association (YASED) and the Treasury) on macro policy issues

about FDI flows to Turkey, and Personnel/HR conferences for HR practitioners in Turkey, where some of the interviewees made presentations on their companies. These sources collectively provided an opportunity to accumulate information on the HR policies and applications of not only American but also other MNCs and Turkish companies.

Companies	Total No of Interviews	HR (subsidiary)	HR (Regional /Divisional)	Others (Total)	U N I O N
CORE CASES					
AutoCO1	19	6	4	Chief Finance Officer (expatriate); Vice General Manager (expatriate); Assistant General Manager (Sales & Marketing; expatriate); Assistant General Manager (Sales & Marketing, Turkish); Work Team Leaders; Employers' Association President (6)	3
FMCG1	10	5	1	Production Manager; Corporate company General Manager (expat); General Manager (3)	1
FMCG2	10	7		Plant Production Manager; Sales & Distribution Director (2)	1
PharmaCO1	8	4	1	Plant Manager (expatriate), Employers' Association General Secretary (2)	2
TexCO	17	5	3	(3) General Manager; Finance Director; Sales Director (6)	3
FinCO	7	3	2	Senior Manager (EMEA); Chief of Staff (2)	n/a
HotelCO	6	2	3	General Manager (expatriate) (1)	1
Sub-total (Main cases)	79	32	14	22	11
SUPPORTING CASES					
AutoCO2	5	2		Quality Manager; Plant Manager (2)	1
FoodCO	6	3	1		2
DefCO	3	3			n/a
TAC1	6	3	2	Senior Manager (1)	n/a
TAC2	1	1			n/a
ITCO1	2	1		Sales Manager (1)	n/a
ITCO2	4	1	2	General Manager (1)	n/a
PharmaCO2	7	7			n/a
PharmaCO3	1	1			n/a
FMCG3	1	1			
FMCG4	1	1			
Sub- total	37	24	5	5	3
TOTAL	116	56	19	27	14

Table 3.5. Distribution of interviews conducted in the case studies

3.4.4. DOCUMENT ANALYSIS

The significant features of case study approach, i.e. holistic contextualisation and multi-perspectivity, require triangulation (Snow and Anderson, 1991). In addition to interviews, therefore, document analysis and observation, where viable, were used as the other methods for enriched, in-depth and triangulated data (Denzin and Lincoln, 1994; Maxwell, 1996; Miles and Huberman, 1994; Yin, 1994). Internal company documents, including for example mission statements, company values lists, organisation charts, personnel handbooks, selection and performance assessment forms, Intranets (where access was allowed), internal company and news magazines, annual reports etc complemented the data collected by in-depth interviews. Corporate and subsidiary web sites, newspaper and magazine articles, journal and book references on the parent companies were also used. Such documents were used for two purposes: first, to understand subsidiary as well as HQ policies, and second, to validate information collected by interviews. Published research findings on the employment policies and practices of American companies at home and abroad were used as secondary sources of data to explain the extent and effects of home-country practices.

Problems of gaining access to company documents had been experienced, as was initially expected. In many of the instances, HR managers did not want to give out any written material, as in the Turkish environment company-specific information is usually considered to be highly confidential and revealing such information is not favoured. However, by seeking to establish a trusting relationship with the respondents from the outset and to convince them that no information gathered would be used publicly, without their consent and made anonymous, it had been possible to access only a limited quantity of documents mentioned above.

Document analysis was also used for a better understanding of the Turkish institutional environment, for example by looking at laws and regulations, government and union policies, public statistics and published research and data by business associations.

3.4.5. OBSERVATION

Non-participant observation had been continuously carried out on site while conducting interviews or paying site visits. Originally it was planned that permission was to be sought for non-participant observation at different levels: departmental and/or company meetings, union negotiations and on the shop floor to be able to acquire additional information about the application of parent-company HR policies, industrial relations where the company was unionised, and the nature of work organisation. However after a number of unsuccessful attempts, which also seemed to be damaging the trusting relationship being built with the respondents, it was decided not to push further. Although observation

provides additional and complementary information especially about relationships and work organisation within the companies, in this research it provided only a limited degree of use. Nevertheless, non-interpretative, extensive field notes from the site visits were made. However it must be stressed that non-participative observations were mainly used as a supporting method and to triangulate data collected by the other methods.

3.4.6. VALIDITY AND RELIABILITY ISSUES

Validity, the extent to which the researcher is measuring what is intended, is among the most discussed issues in qualitative research. The traditional definition of validity for quantitative research, with its 'technical microdefinitions' (Janesick, 1994) is not completely appropriate for a different type of, i.e. qualitative, research. According to Patton (1990) validity in qualitative research can be considered in terms of credibility, i.e. what techniques and methods are used to ensure integrity, validity, and accuracy of the findings. Janesick (1994) defines validity for qualitative research in a similar vein, that it is about '*description and explanation, and whether or not a given explanation fits a given description. In other words, is the explanation credible?*' (p. 216). Accordingly, validity and reliability issues in qualitative research are different from those in quantitative research.

Possible steps were taken to ensure the highest level of validity in this research: through triangulation of sources and methods, and collection of rich data, increased descriptive validity was sought (Maxwell, 1996). By using multiple sources of data and methods, construct validity was increased (Yin, 1994). Information from a variety of people and member checks (i.e. by the interviewees themselves) on interview transcriptions and data analysis were used to ensure higher interpretative validity. Finally, comparisons between different cases and with the published data and research findings were made.

Therefore, to achieve a higher level of rigor, breadth and depth, hence 'to secure in-depth understanding of the phenomenon in question' (Denzin and Lincoln, 1994: 2), triangulation of both methods and data sources was sought in this study (Maxwell, 1996; Snow and Anderson, 1991; Yin, 1994). Accordingly, data were collected through a combination of methods and multiple sources of information were used to develop 'converging lines of inquiry' (Yin, 1994: 92) about the transfer of HRM policies of American companies to the Turkish environment. Information from different levels of management was gathered, by interviewing HR, functional and general managers. Moreover, perspectives of both subsidiary and corporate levels, as well as of unions and employers' associations, were sought to compare '*what people say they do and what actually happens*' (Maxwell, 1996). Such triangulation of methods and data sources is argued to be an important tool in increasing the validity of data collected by interviews (Maxwell, 1996; Miles and Huberman, 1994; Yin, 1994).

As Snow and Anderson argue (1991), case study, as a contextual, in-depth and rigorous reading of a phenomenon within a historical framework, is rather time-consuming and labour-intensive. Due to time and financial constraints of a single-researcher study, information collected for this research reflected mainly management views, except in the unionised companies where at least the collectively organised voice of labour was also incorporated. Despite all the efforts to achieve 'multi-perspectivity', i.e. voices of all the related parties, there can arguably be a gap between the management accounts on HR/IR policies and non-managers' perceptions. Variances might occur depending on the informant's position. This problem could have been dealt with by obtaining information from non-managerial staff and it might have been very interesting to compare and contrast management's view with that of labour. However if this information were not systematically obtained from a significant number of non-managerial employees (relative to the total number of employees), because of various possible methodological problems, it would have been of limited for use in triangulation of data. A small number of non-managerial employees, chosen by the management to respond, do not necessarily increase the reliability of information collected from the management. Inconsistency or complementary information from non-managerial employees can arguably result from perceptions or personal agendas. To get an acceptable quantity and quality of employee view, collection of substantial data at this level was beyond the time and financial constraints of this research. Even if achieved, such information would be of relatively small additional value considering the focus of this research. The main purposes of this research were to understand the transferability of HRM policies and practices of American companies to a novel business environment, and the effects of the latter on these policies and practices. Focus is therefore on the interaction of parent- and host-country effects ('Turkishness' versus 'Americanness') and their impact on the transfer of HR policies and practices of American MNCs to the Turkish business environment. In this respect, management accounts from various levels, supplemented by documents and observation, provided the necessary information from company perspective.

A final validity issue in this study related to language, which is usually a problem in cross-cultural research. Through the researcher's intimate knowledge of the Turkish system and the language, unlike in many studies of MNCs in host environments where interpreters are often used, issues of researcher bias due to language were diminished. All the interviews were conducted by the researcher herself, in Turkish with the Turkish respondents and in English with the expatriates in Turkey and HR/IR managers at the American parents' (regional or corporate) HQ. Turkish managers of American MNCs all have an excellent command of English and in fact use English phrases often, which enabled mutual understanding of concepts more easily. The interview schedule (see Appendix 3), initially drawn in English, had been translated into Turkish and then back to English by the researcher, with the help of a

former manager of an MNC, an academic colleague and a translator, to increase consistency, hence reliability.

3.4.7. GENERALISABILITY OF CASE STUDIES

One final widely discussed validity issue about case studies is the generalisability (external validity) of the findings. As a result of the very nature of the approach, i.e. contextual embeddedness and historical dimension, which in fact provide the strength of this approach, standardisation of data collection procedures and statistical generalisations as understood by positivistic social science, are almost unattainable in case studies (Snow and Anderson, 1991). Considering the characteristic features of this type of research, Yin (1994:36) argues for the differences between ‘statistical generalisation’, i.e. samples from universe, and frequencies and generalisation within a population, as understood by positivistic scientists and ‘analytic’ or ‘theoretical generalisation’. He claims that the case study is more like an experiment in the sense that its findings can be generalised to a broader *theory*, not to the *population*. By using the findings of a case study, one can develop new explanations to an existing theory or come up with a different theory.

The qualitative case study approach rests on a strong analytical framework (Yin, 1994) and clearly defined research question(s) from the beginning (Denzin and Lincoln, 1994; Janesick, 1994), which are also important for increased generalisability: we need to be carefully aware of what is being researched. Since the transfer policies and processes of American MNCs in Turkey were studied, we were concerned with covering and generalising to the population of such *policies and processes*, not the *population of American MNCs in Turkey*. In other words, as Orum et al (1991) conclude:

“[T]he nature of the phenomenon that one studies is the true gauge of the population to which one seeks to generalize. It is not merely a question of how many units but rather what kind of unit one is studying.” (p. 15)

As argued elsewhere in this chapter, employing multiple case studies is suggested as a way of supporting the conclusions from a single case, hence to improve the generalisability of its findings (Orum *et al.*, 1991; Yin, 1994). Yin (1994:43) argues that case study method has the ‘replication logic’ that underlies the use of multiple experiments. Studying carefully selected multiple cases that will either produce similar results (‘literal replication’) or contrasting results but for predictable reasons (‘theoretical replication’) uses the same logic with experiments used in positivistic science. As already discussed in the above section, multiple cases in this study were selected according to specific analytical criteria to study literal replication and theoretical replication cases. This approach of selecting and studying multiple cases does not use a sampling logic, in that cases were not selected because they are thought to be representative of a larger population but because they were theoretically significant.

3.5. DATA ANALYSIS

Through data analysis, order, structure and meaning are brought to the mass of data collected (Denzin and Lincoln, 1994). Mainly explanation building and within and cross-case analyses were used in this study. Explanation building is accomplished by a series of iterations as more data is collected against the theoretical propositions (Yin, 1994). Therefore the final explanation might not be fully predicted at the beginning of the research. The researcher started this study with an initial literature review, which enabled her to formulate and revise the issues for the preliminary stages of the fieldwork. As the fieldwork progressed, main themes were recognised, interview questions were restructured and the foci of the main substantive issues were narrowed down.

Data collected through interviews, documents and observation were stored to create an electronic database using electronic tools, including specialised software, i.e. *QSR N6*. Taped interviews and field notes were transcribed as soon as possible after the interviews. Initial analysis in terms of emerging themes and significant issues from individual cases was done concurrently with the fieldwork, usually in terms of fieldwork notes and short case write-ups. Within-case analysis allowed the researcher to detect the distinctive patterns of substantive issues in each case, before attempting to generalise across cases. Preliminary contextual analysis of data collected was subsequently followed by the systematic coding of data to identify patterns and divergence in the material. Coded individual interviews were initially organised and structured according to the main themes within the cases. Subsequently similarities and differences between the cases were sought, mainly by restructuring the interviews across the cases and using large tables with the elements of the main themes.

3.6. CONCLUSION

The main aim of this study was to investigate the complex sources of influence on the transmission of HR/IR policies and practices of MNCs from a dominant economy to their subsidiaries in a 'hybrid transitional' business environment, one that shows a combination of traits. For a deeper understanding of host- and home-country influences, American MNCs in Turkey were studied in qualitative case study format. Cases were selected according to a set of criteria so as to reflect other sources of influence, namely industry and ownership structure. Thus large and established WOS and IJVs from various sectors were chosen. Rich and in-depth data were gathered by using different methods, i.e. interviews, observation and documentary analysis from a range of key informants and levels, i.e. HR/IR, other functional and managers at subsidiary and corporate level, to increase reliability and validity. Data collected were stored, coded and analysed by using electronic methods, including qualitative research software. Findings of within- and cross-case analyses are presented in the empirical chapters.

CHAPTER 4. TURKEY AS A ‘HYBRID TRANSITIONAL’ HOST COUNTRY

4.1. INTRODUCTION

It is essential to understand the political, economic and social aspects of the institutional environment in Turkey for analysing the HRM/IR behaviour of US MNCs in this host country. Such an understanding will help to critically evaluate the host-country influences on the transfer of HR policies and practices. This chapter therefore proposes to introduce the Turkish business system (TBS) by using the conceptual framework presented in Chapter 2. It is argued that Turkey is a ‘hybrid transitional’ country in terms of its institutional environment and business system.

A ‘hybrid transitional’ business system is defined as one that incorporates the institutional elements of various models developed in the national business systems (NBS) literature *and* one that is also changing rapidly and considerably. According to Hall and Soskice’s (2001) varieties of capitalism approach, the Turkish system comprises elements of both LMEs and CMEs. Turning to Whitley’s (1999) typology, which includes a wider variety of systems, the TBS, particularly considering its historical development and early institutional elements, could be classified as a state organized business system where the business environment is typically *dirigiste*. However certain elements of the TBS, particularly the role of the state, are going through considerable change through trickle-down trajectories imposed by transnational institutions, an important feature that is not considered in Whitley’s categorisation. As argued in Chapter 3, the analytical framework of this study recognises the considerable influence of transnational institutions through trickle-down and trickle-up trajectories (Djelic and Quack, 2003) on the changes experienced in all NBS, but particularly in those developing into more open NBS, such as TBS.

This chapter starts with an analytical presentation of the Turkish economy, emphasising the major and minor but consequential changes it has been experiencing since the establishment of the Republic. In the second part, major proximate institutions, i.e. the state, education, industrial relations (IR) and financial systems, and the business associations that shape the TBS are examined where the more recent changes are emphasised. This is followed by the analysis of the TBS, where the main elements of a ‘hybrid transitional’ system are highlighted. The chapter ends with concluding remarks.

4.2. SOCIO-POLITICAL AND ECONOMIC BACKGROUND OF TURKEY

It is argued that the particular role of the state and the changes in the economic system especially after the 1980s as a result of domestic and international factors have been influential in the shaping of the institutional environment and the recent changes in the main elements of the TBS (Buğra, 1994). An

understanding of the historical development of the system is important to identify the path-dependent nature and the continuity in certain policy and processes in the main features of the TBS. Therefore firstly the socio-political history of the Turkish economic system, emphasising the most important factors that impacted the elements of the TBS, is discussed.

Following the disastrous experiences of the Ottoman Empire with its heavy dependence on foreign debt and concessions given to foreign countries and companies, the first and most essential goal of the Turkish state after the Republic was established in 1923 was identified as creating a national bourgeoisie that would lead the economic development (Buğra, 1994). Incentives to encourage domestic entrepreneurs were put into effect and institutional structures for a market economy was implemented.

Early efforts to create a market-based, private enterprise economy were undermined by two significant international events. The first was the Great Depression in the USA that led to a questioning of the value and efficiency of a market-based economy for an optimal distribution of economic resources. The second was the outbreak of the Second World War soon after the Great Depression that increased the chaos in the international economic structure. Within such an unstable international economic environment, the Turkish experience of the economic institutionalisation process was quite different from that of other countries that had gone through a similar process under more stable international economic conditions where free market economies could be more easily justified (Buğra, 1994). State intervention in the economy in the face of instability was accepted by entrepreneurs and private sector without much questioning. These experiences resulted in an interventionist state that has taken on both a developmental and regulatory role.

During the 'statist' era that started in the early 1930s, to stabilise the economy, the interventionist approach followed by the state assumed no significant role for the private sector in the planning and designing of economic policies (Buğra, 1994). Despite the preference for state intervention over instability, the private sector complained about the uncertainty about the limits of this intervention and the space given to the private sector. This has continued to be one of the defining issues of the TBS: the Turkish private sector was not given a 'stakeholder' role in planning and regulation of the economy and market.

However this attitude of the state has started to change in recent years, particularly as a result of Turkey's EU accession process: firstly, alignment with EU policies and regulations requires more cooperation with civil and non-governmental organisations. Secondly, governments seemed to have noticed the significant role such organisations can play in promoting EU membership both in Turkey and abroad. The state now considers input from the 'social partners', particularly private business,

although it is still far from a social partnership model as understood in the coordinated market economies (CME) e.g. Germany.

To be able to get financial support from the Marshall Plan, Turkey had to start providing a larger and more secure space to the private sector (Buğra, 1994). Thus the relations between the state and private business turned positive at the beginning of the 1950s. During this era, some of the largest Turkish businesses of today were established. The new party in government promised to include the private sector in economic decision-making and provide the most liberal conditions for it to flourish. However, Buğra (1994) argues that the '*paradox of Turkish liberalism*' marked this era: 'pro-market' governments pursued economic policy processes that intervened strongly in and distorted market competition. They created severe problems and uncertainty for the private sector by making continuous and unexpected changes by using various methods of intervention throughout the 1950s. Similar approaches by governments were observed during the initial stages of the second liberalising efforts after 1980. Therefore free market competition and market-led economic conditions were not achieved in Turkey, despite policy changes aimed at establishing them. Within an uncertain environment where changes in economic policies created a major source of problems, the traditional 'love-hate' relationship between the state and private business was observed clearly. The tension between the state and private sector has continued for the rest of the history of the Turkish economy.

Economic crisis and political repression, experienced at a time when there were parallel tendencies of more interventionist approaches globally, resulted in the first military intervention in Turkey in 1960 (Öz, 1999). Contrary to many other countries where military interventions end up with dictatorships, in Turkey the constitution was replaced by a much more liberal one, free elections were held and the military government was replaced by a civil one within a year. The economic policy was changed from a liberal market-driven one to a planned, inward looking, 'import-substitution' policy, taking up the Republic's original goal of creating a self-sufficient national economy. Five-year development plans were prepared but their application was very pragmatic and sporadic; sometimes they could not be applied at all. Significant state investments in various sectors continued, increasing the role of the state as an economic actor, which continued until recently.

Although the private sector complained about economic uncertainty and political chaos, it grew during the import-substitution period. Firms increased their wealth with the help of protectionist measures, such as high taxes for imports and incentives for domestic investment and production. Moreover, large companies received most of the incentives, through their ability to directly reach the information and decision-making bodies in the state, as the rules of application for these incentives were not established and communicated clearly to the public. The particularistic nature of relations between the

state and private businesses has been another significant characteristics of the TBS, which still continues to a large degree.

The incentives and other measures in an import-substitution strategy, together with tax and financial advantages, helped establish the foundations for the 'holding' structure, which now forms one of the most important characteristics of the Turkish business system. Another important reason for their popularity was to reduce the operational risks and increase profit opportunities that emerge as a result of frequent policy changes by the state through diversification. The Turkish holding structure, with its diversified nature and role of the state in its establishment and development, is comparable to similar structures in late industrialised countries, for instance Korean 'chaebol' (Buğra, 1994).

The first Turkish holdings were established in the 1960s, while the majority were established in the 1970s and 1980s. The state gave specific holdings the responsibility of investment in certain fields through 'suggestions' and advice, and by supporting the investments with various incentives, all of which provide supporting evidence for the particularistic nature of state-firm relations. In this way, the state actually helped the development of large private companies in the 1960s within an inward-looking economy. As a result, the private business sector in Turkey started to flourish from the 1960s. The state's supportive attitude continued with increased intensity after the 1980s, firstly with incentives for investments and exports, and secondly by pro-business legislation against workers. Almost 50 years of experience in manufacturing and services, even in a protected domestic market, has provided Turkish holdings and their affiliates with a considerable degree of strength, particularly noticeable when globalisation started to influence Turkey, and when they negotiated partnerships with foreign firms after the 1980s.

Turkish holdings have a significant role in the Turkish economy as the largest firms in terms of revenues, exports and employment. More recently, some of them were listed among the largest firms by international rankings, e.g. World's Largest 500 Companies by Forbes in 2006⁸. They are also among the main players in the financial sector through their group banks. Group banks in many cases were established to finance the affiliates through credits, which was legally allowed under certain structural arrangements. However during the 1980s most of the funding was provided through low-interest investment credits by the state, therefore owning a group bank did not reduce the dependence of holdings on the state. As the cheap state credits were reduced starting from the early 1990s, other holdings started to enter the banking sector, sometimes with foreign partners. Buğra (1994) argues that foreign partners were included in the new and already established group banks as a new source of cheaper financing to replace the state credits.

⁸ Radikal newspaper, 08.05.2007, p.11

Turkish holdings are family-owned enterprises where the significant role of the family members particularly in the holding (as the main planning and controlling body) and also in the affiliates continue despite a certain degree of professional management. Even in the most professional and 'institutionalised' holdings, a well-educated younger generation (sometimes with degrees from abroad) holds top-level management positions, and the board of directors usually includes a number of family members. Managements in the affiliates cannot make strategic decisions without their consent. Buğra (1994) found that the holding strictly controls its affiliate firms in three main areas in particular: investment decisions, financial coordination, and HR policies, especially in employment systems and reward management (p.290). This centrally controlling role by holdings has been important in the rapid development of HR practices, where new policies and applications developed by the holding HR coordination bodies by adapting the most recent international trends and practices were distributed easily and quickly.

Another military intervention in 1980 marked a major change in the Turkish economic system, the import-substitution policy of the 1960s and 1970s to an IMF supported export-oriented one (Kepenek and Yentürk, 2000). The international economic environment was changing, and the Turkish economy was influenced heavily through trickle-down trajectories, which resulted in major transformations in the main elements of the TBS. However, between 1980-1995 many of the old rules and norms were still observed: firstly, it was a pro-market government but sudden and unexpected policy changes created an unstable and chaotic economic environment. Secondly, the state's overwhelming presence in the economy continued despite changes in intervention methods. That is, controls on interest rates, foreign exchange rates and prices of the commodities produced by the SOEs continued, but the state started to take notice of market forces while making these interventions. The share of the state in the economy did not shrink in the 1980s, mainly because of increased infrastructure investments until the end of the 1980s (Buğra, 1994). It continued to dominate the financial sector, including banking. Thirdly, the decision-making process in the economic policy arena was centralised and the power of the prime minister increased especially through the establishment of new state institutions (Öncü and Gökçe, 1991). The increased power of the office of the prime minister in the economic decision-making process intensified the 'particularistic' approach towards private business (Buğra, 1994). Significant businessmen were still able to contact the highest-level government officers and bureaucrats directly, which resulted in both positive and negative consequences for these former.

Impact of trickle-down trajectories started to increase particularly after 1999, with the intensified relation between the EU and Turkey, firstly through the Customs Union and then with the acceptance of Turkey as a candidate member. Another major transnational institutional influence came from the

IMF after the massive economic crisis in 2001. Legal and structural changes were initiated in almost every aspect of business. In the financial institutional field, the Central Bank has been given relatively more independence from the government. The share of the state banks has been reduced through restructuring and privatisation of some of these banks. Inflation reduced to around 10% in 2006 from an average of 65% p.a. between 1980-2001. Economic and political stability, which made privatisation of some of the largest SOEs possible, have been achieved. Together with changed regulations, the economy has been internationalised with increased FDI especially in telecommunications, banking, automobile production, food, and tobacco sectors.

The history of FDI in Turkey started as early as 1954 with one of the most liberal FDI regimes in the world, leading to the establishment of foreign capital in Turkey. This regime has been liberalised even more especially from the 1980s. Ownership structures, total amount of investments, transfers of profits back to the home countries, labour policies, etc., were not restricted, unlike in many other developing or transitional economies. The only restrictions were in the sectors, e.g. telecommunications, tobacco, defence, etc., which were state monopolies until recently. Most of these restrictions have now been lifted as explained above, with the exception of defence where there is still a high level of control and restrictions. The total amount of FDI inflows stayed at negligible levels until 2003, especially in comparison to those in some other developing countries (UNCTAD, 2000). The main explanation given for the low levels of FDI inflow despite the unrestricted investment environment and other positive factors (e.g. large domestic market, geographical proximity to export markets, cheaper labour cost, etc.) was the unstable political and economic conditions. FDI has been rising considerably since 2003, once political and economic stability started to be achieved, and with the introduction of a new law that reduced bureaucracy and red tape in FDI to a minimum.

Another significant factor in FDI is the preference of foreign companies for engaging in IJVs with local businesses, particularly holdings, although there is not any legal obligation. For instance, in 1989 among the largest 500 manufacturing companies in Turkey, there were 72 companies that had foreign capital, 47 of which involved Turkish holdings (or their affiliates) as the joint venture partner (JVP) (Buğra, 1994). Turkish companies have also become more willing to establish IJVs since the 1980s to take advantage of foreign companies' know-how in international business and technological capabilities. Nevertheless many of the large Turkish holdings are not weak partners in the IJVs, unlike their counterparts in some emerging markets such as Eastern Europe, India or China (Child and Faulkner, 1998). Some specific sources of their strength, which are sometimes also the reasons for the foreign companies to engage in IJVs, are:

- operational experience in many manufacturing and services sectors, including banking and finance;
- reputable names and large market shares;
- considerable financial (corporate and personal) resources, therefore not entirely submissive when it comes to making or increasing capital investments in the IJVs;
- powerful relationship with the state and governments, important to receive various sources of state support, e.g. investment incentives (land, preferential credits, etc.) or necessary changes in laws and regulations.

The last point goes in the opposite direction to the argument of Buğra (1994) who claims that foreign partners emerged as new actors who could change the nature of relations between the large Turkish holdings and the state, in that the former as strong global partners could reduce the dependence of the latter on the state. However there is evidence found in this study for the inclusion of Turkish JVPs for their strong relations with the state, as a result of the particularistic nature of the state-business relationship, which is discussed above.

In short, changes in legislation in many areas have been taking place in Turkey as a result of the EU accession process and IMF stabilisation programme, although the implementation has been still limited. The key points of the most recent period can be summarised as liberalisation and outward orientation, but in a way that still favours particularistic relationships between the state and business; and the opening up of economic activity for foreign investment.

In the light of the discussion above, the most significant early elements of Turkey's socio-economic environment that have been highly influential in the formation of the elements of its current business system and that in turn led it to become a 'hybrid transitional' one are summarised as:

- Comparatively early start with industrialisation among the late-industrialised and developing countries, initiated by the state;
- State-led industrialisation and establishment of the state as a major economic actor through the SOEs;
- Continued tension between state-led and market-driven systems;
- Late development of the private sector in the early 1960s, through import-substitution industrialisation, which was nevertheless relatively early among many developing and emerging markets;
- The particularistic nature of relationships between the state and private businesses;
- Frequent tension between the state role and the development of private business, exacerbating economic instability;

- Political and economic instability that resulted in two military interventions, which in turn led to two economic system changes;
- A private business that was not against state intervention when faced with instability, but that was concerned with the inconsistent, frequent and unpredictable nature of state intervention;
- A traditionally paternalistic relationship between the state and private businesses where the latter are not included in the development of state policies;
- Domination of the financial system by the state through fiscal and monetary institutions and policies.

In this section an overview of Turkish economic history has been provided while incorporating issues of FDI. It is argued that Turkey is among the developing economies, with a medium level income, some considerably developed manufacturing and service industries. After long periods of political and economic instability, Turkey has reached a point where certain changes in the institutional environment can be achieved. Within such an environment, the importance of FDI increases, bringing with it possibly significant influences as well. The influences of its transitional economic situation on the institutional environment will be discussed in more detail in the next section.

4.3. ELEMENTS OF THE SOCIAL-INSTITUTIONAL ENVIRONMENT

Hall and Soskice (2001) argue that Turkey, together with France, Italy, Spain, Portugal and Greece, can be classified as a specific type of capitalism, i.e. 'Mediterranean', *'with a large agrarian sector and recent history of extensive state intervention that have left them with specific kinds of capacities for non-market coordination in the sphere of corporate finance but more liberal arrangements in the sphere of labor relations'* (p. 21). Given the recent changes in the extent and type of state intervention, and the drastically shrinking contribution of agriculture to the GDP, together with other changes in the legal framework, TBS is defined as a 'hybrid transitional' market economy in this study, which comprises elements of both CMEs and LMEs.

Firstly, stock market capitalisation in Turkey is still very low, and corporate financing, which used to be highly dependent on state incentives and subsidised credits, is currently provided externally by bank credits and internally by retained earnings. Corporate financing has been attained through earlier government credits and subsidies, in addition to credits from group banks, retained earnings, and personal wealth in the largely family-owned private sector. These sources provide what Hall and Soskice (2001) call 'patient capital' (p.22), which does not present an excessive pressure to satisfy investor expectations in the short run and allows firms to invest in long-term projects and retain their skilled workforce during economic downturns. Turning to industry networks and

sharing knowledge, the TBS is on the one hand more similar to LMEs where arms' length relations with major suppliers and clients prevail, but also shows similarities to CMEs, as a result of the large and diversified holding structure, where extensive networks of cross-shareholding in the affiliates secure knowledge and close relations. Thirdly, production strategies until recently remained simple and did not rely on a highly skilled workforce unlike in CMEs, although industrialisation efforts started earlier than in many comparable developing countries. However, this has started to change as more FDI inflow has been experienced, bringing high technology and improved production systems. Increased FDI is in turn argued to be an outcome of the economic stability achieved with the application of IMF stabilisation programme since 2001.

However, the education and skills formation system is still not capable of providing labour for such sophisticated production systems, with industry or firm specific skills. Coordination of education between business and state has not traditionally been achieved. Formal education provides general skills, and companies have to make substantial investment in in-house training, more like in most LMEs. However, there is large group of uneducated people and the quality of the general education is low. Finally the industrial relations system in Turkey, unlike those in CMEs, does not allow employee cooperation in companies and wage moderation. Firms have extensive freedom for employment at will and top management exercises unilateral control over the firm. In Turkey employers have no obligation to set up representative bodies such as works councils, and trade unions are considerably weaker than in CMEs. IR is one of the elements of the TBS least influenced by trickle-down trajectories despite the requirements for alignment of national procedures and practices with those of the EU. However, in the sectors where wage coordination and skills development become more important because of sophisticated production technologies and sales to export markets, e.g. in metalwork, industry-wide employers' associations and trade unions are able to establish sectoral collective agreements.

These are briefly the key characteristics that mark TBS out as a 'hybrid transitional' system. Institutional elements similar to both those found in CMEs and LMEs, as well as other distinct ones differentiate it from either system and place it in a separate category. Another important characteristic of a 'hybrid transitional' system is its greater openness to continuous change experienced in the elements of the institutional system as a result particularly of trickle-down trajectories (Djelic and Quack, 2003). All institutional systems are subject to 'stalactite' change processes, however their influences are more significant in 'hybrid transitional' systems as a result of, firstly, late institutionalisation, and secondly, being subject to dominance effects of other systems. In the next part, the outstanding characteristics of the most significant elements of the TBS, i.e. the nature and role of the state, financial system, education and training system, the

system of industrial relations, and business associations, are discussed while emphasising the changes experienced recently.

4.3.1. THE ROLE OF THE STATE

Berkman and Özen (2007:3) argue that Turkey has had basically a state-dependent business system that is characterised by a strong state actively coordinating and controlling economic activities. Moreover, one of the most significant characteristics of the Turkish state is the developmental role it has taken on. Johnson (1982) argues that the states in the late industrialised countries took on developmental functions to lead the industrialisation themselves, which resulted in different types of relationships between the state and the business from those where the state took a regulatory role, and accordingly different business environments. The US will be discussed in Chapter 5 as the most prominent example of the states that have a regulatory orientation, a market-rational state that concerns itself with the forms and procedures, the rules, of the economic competition (Johnson, 1982:18-19). The Turkish state is claimed to be an example of the developmental state, as industrialisation took place much later and the main feature of the state's role has been setting substantive social and economic goals, and acting as a major economic actor by directly operating economic enterprises. The main reason for the developmental orientation of the Turkish state at the beginning was the lack of indigenous entrepreneurial elites and of opportunities to raise capital (Buğra, 1994; Kepenek and Yentürk, 2000). It has performed a leading role in economic development with the SOEs in many sectors, including manufacturing (e.g. food, textiles, oil, tobacco, etc.) and services (banking, tourism, telecommunication, etc.).

Johnson (1982) argues that contemplating a state's priorities in economic policy is another way to differentiate between developmental and regulatory orientations of a state. If a state is developmental, 'plan-rational', in orientation, the very existence of its industrial policy will be the most significant clue. The rationale behind promoting the industrial policy is that it will structure the domestic industry and economy in a way to enhance its effectiveness and competitiveness (Johnson, 1982:19). The Turkish state might be argued to be a 'plan rational' one particularly in the import-substitution period between 1960-1980 when 5-year Development Plans were made under the centralised State Planning Institution ('DPT') and the important social and economic goals were decided centrally. These plans set forth for example which industries would be established or developed. The main goal was the development of domestic production in the certain important sectors as decided by the state, with the aim of improving the economy by using central planning and state ownership of production.

While the state dominated the business system both as an economic actor and the regulator, it also created an elite bourgeoisie that resulted in large business groups, i.e. holdings. It supported business

interests by protectionist policies, financial incentives (e.g. tax, credits, etc.) and particularly since the 1980s, by suppressive legislation for workers. However, there has been a contradictory relationship between the state and business as a result of, firstly, particularistic relations and arbitrary acts that cannot be predicted by transparent rules; and secondly, the ambiguous and unpredictable nature of state intervention.

This was generally the situation until the beginning of the 21st century. As the influence of economic internationalisation has started to be felt more, especially through transnational institutions such as the EU, IMF, OECD and World Bank, the reflections of 'trickle-down' mechanisms have started to be seen in the Turkish business system. To prove Turkey's eligibility for EU membership, governments have accepted the importance of establishing a functioning market economy. Therefore rapid and comprehensive privatisation and institutionalisation of market regulations are now being realised.

Some changes in the legislation for increased transparency in corporate governance have also been made. For instance, international accounting and auditing standards (particularly for large and incorporated companies) have been made compulsory. Financial markets are now being more effectively managed and monitored by relevant bodies, which increases both domestic and international investors' trust in the system. More examples of such changes are discussed below for the various elements of the institutional system. There are also still many issues to be solved and rules and regulations to be changed. It is argued the state-dependent nature of the TBS has currently being changed to a state-coordinated system, where influences of transnational bodies such as the IMF and EU are felt on the government and private businesses to follow and incorporate international best practices.

4.3.2. EDUCATIONAL SYSTEM AND SKILLS DEVELOPMENT

The Turkish education system is a unitary one, where formal academic standards and certification are dominant, and attending prestigious schools and academic success are the most important criteria to access notable positions in the public and private sectors. It functions similarly to other examples of unitary education systems that work as '*a series of filters designed to select the most academically competent, who are then guaranteed to elite positions in the state and private industry*' (Whitley, 1992:32). However, attending a university is a major challenge: for example, in 1999, of the 1,479,000 applicants who took the centrally administered university entrance exam, a mere 267,500 (excluding those who are admitted to distant learning programs), or 18%, were actually admitted to any university⁹. As is the case in other countries, there is a ranking among the universities. There are

⁹ <http://www.yok.gov.tr>

'elite' universities whose graduates are almost always guaranteed the best positions. Previously being a graduate of any university used to be enough, but with the addition of many new universities, the quality of education, hence the name of the institution, has become an issue.

Turkish employers are almost completely excluded from the formal education system, as is generally the case in unitary systems (Whitley, 1992). Such an education system, which only provides graduates with academic and general knowledge but very little practical and technical skills, has consequences for firms' recruitment, promotion and training. Firstly, for recruitment purposes, the young population entering the workforce for the first time from universities and high schools have a fairly good general education but lack practical and technical skills. The majority of the young and growing workforce in Turkey, however, consists of unskilled and uneducated labour that lacks both practical training and general education. Therefore firms have to provide considerable in-house training after they hire new and young employees. Some of such training is inevitably firm-specific, however some of the skills learnt through company-provided training can be applied in other firms especially in the same sector.

Vocational education and training (VET) in Turkey has not attained the social prestige of academic education. It was not given much importance in the education system by the state. Moreover, firms were not included in the planning or delivery of VET. Special VET high schools provide education at school and training at firms, similar to that in a dual system. VET has more recently started to receive more consideration particularly from businesses, which want to collaborate with the government to improve the system and graduates. It has also gained recognition among the public, as a result of increased placement opportunities. Moreover there has been increased state and public interest in increasing basic education opportunities particularly in the deprived regions of Turkey. There have been some changes particularly in that VET has gained recognition in the last decade. This is more the result of a trickle-up effect of (domestic and international) investor demands to find labour with necessary qualifications.

The education and training system has been the very slowly changing despite the influence of trickle-down mechanisms exerted through transnational organisations. The Ministry of Education (MoE) still receives one of the smallest shares of the government budget. The schooling rate, particularly in the underdeveloped regions (i.e. eastern and south-eastern parts of Turkey) and the quality of education in Turkey as assessed by OECD and EU put it at the bottom of the EU league¹⁰. One of the few significant changes in the education system has been the increase in compulsory primary education, from five to eight years as a result of trickle-down effects of state education development policy. Another significant trickle-down influence has been realised through the EU Funding for research and

¹⁰ <http://www.meb.gov.tr>

development (R&D), which had been negligible and very difficult to get, has increased considerably in recent years firstly as a result of Turkey's inclusion in the EU Framework programmes, and secondly, by exponential increases in the amount allocated to R&D funds from government budgets to be able to comply with EU guidelines.

4.3.3. FINANCIAL SYSTEM

The Turkish financial system is a credit-based system, and it is safe to state that its main element is banking:

“The Turkish financial system is characterized by an overwhelming dominance of banks, and the correspondingly limited role of other financial institutions. Thus, for all practical purposes, to talk about the Turkish financial system is to talk about banks” (Öncü and Gökçe, 1991:107).

Other financial institutions, especially the stock exchange, are underdeveloped. Only a few Turkish businesses are traded on the Istanbul Stock Exchange (ISE), which remains small and not a primary way of raising new capital. Yurtoğlu (2000) finds that families own more than 75% of all publicly traded companies and keep majority control.

The strong connections between the banks and companies constitute a significant characteristic of the Turkish banking system. Yurtoğlu (2000) claims that almost every private firm is under the control of families who typically control a large number of other financial (e.g. insurance, factoring, leasing companies) and industrial companies. These financial institutions were originally established to operate as the ‘financiers’ of the group companies. There are cross-ownership and board memberships between the holding companies, including the banks and other financial firms.

The state's impact on the Turkish banking system, where the state-owned banks dominated the system particularly until recently, has been unquestionable. The banking system has however gone through a trickle-down reform from 2001. Acting on IMF suggestions, the state's role in the system was reduced considerably, the Central Bank gained greater independence, and managerial and operational control on banks' management increased. Moreover, the sector has been internationalising particularly since 2003, with the stabilising and strengthening of the Turkish economy in general and the banking system in particular. The major impact of this change has not been felt very strongly yet, except for increased employment opportunities as a result of growth policies of new players, while trickle-up changes can be expected in the sector and the business.

4.3.4. INDUSTRIAL RELATIONS SYSTEM

4.3.4.1. Role of the State and Legal Framework

The state has had a dominant role in the Turkish IR system, both as the regulator who sets the legal framework, and as the largest employer for a long time through the SOEs. Koray (1992) claims that

“The State, as regulator and employer, influenced the other parties to the extent that the system did not gain an independent development.” (p.10)

The state owed much to its paternalistic approach especially during the initial stages of worker organisation to gain such a dominance and power in the IR system. Initially the state itself had been directly involved in the process of organising the workers in trade unions when unionisation right was first given in the late 1940s (Koray, 1992; Koç, 1999a; Yazıcı, 1996). Sakallıoğlu (1991:57) argues that *‘the labour question was easily dealt with until the 1960s’* by granting basic rights and considerably better financial conditions to civil servants and public sector officers and workers, together with job security and some other further privileges.

The reasons for such a state policy are argued to be firstly, to win over the sympathy of the workers, and secondly, to inhibit the development of a tradition of acquiring rights through common struggle (Koç, 1999a: 26). Koç (1999a) argues that it was mainly this attitude of the state that prevented the growth of a labour movement until the 1970s, rather than the limiting regulations and mild sanctions. Both as the regulator and employer, governments gave the trade unions the message that they should keep good relations with the state to get better terms and conditions for their members.

Koç (1999a) claims that the direct involvement of the state in the process of establishing trade unions has had both positive and negative effects on the subsequent history of labour organisation in Turkey. On the one hand, it has negatively affected the independence of the trade unions from the state. The oldest and the largest trade union in Turkey, Türk-İş, the Confederation of Labour Unions of Turkey, which still comprises over 70% of total union members, is argued to be *‘a product of ‘legalism’ as opposed to being a spontaneous association formed from below’* (Sakallıoğlu, 1991:64). Moreover, the unions, particularly Türk-İş, mostly preferred not to have ideological attitudes. Türk-İş has always followed a policy of having good relations with the state and reaching its desired goals through communication and goodwill (Koç, 1999a; Sakallıoğlu, 1991).

In the two decades between the two military interventions, in 1960 and 1980, labour organisations experienced a relaxed political environment with the help of the liberal 1961 Constitution and the accompanying labour laws that provided workers and unions with more rights. The import-substitution strategy also helped unions in getting favourable financial conditions for their members.

This period was the only exception when unions were ideologically driven and were able to mobilise labour with a class consciousness. Extended strikes where thousands of workers participated reached their peak in 1979-80, creating major unrest in society. The military intervention in September 1980 was argued to be the consequences of such (and other major) societal unrest combined with worsening economic conditions. The military government initially, and then the subsequent new Constitution and new labour laws were very restrictive and inevitably brought negative consequences for labour organisations. The new export-oriented economic strategy, aligned with the deepening anti-unionist attitude internationally, resulted not only in restricted collective action but also reduced wages.

It is generally agreed that the legal framework is very suppressive and limiting on worker organisation, union activity and collective bargaining rights whereas it provides a permissive environment for employers (Koray, 1992; Koç, 1999a; Nichols and Sugur, 2004). Koç (1999b) argues that Turkish labour laws need to be adjusted according to ILO standards. Although Turkey is a long-standing member of the ILO and has signed its conventions, transfer of their application to the Turkish legal system has always been equivocal. Particularly controversial issues have been unionisation rights, job security and unemployment insurance.

IR has been the other element of the business system where 'trickle-down' trajectories stemming from particularly the IMF stability programme have brought significant positive change. A new labour code brought only a few changes, such as unemployment pay, put into effect in 2003, after a decade of discussion. Another significant change was in job security issues, where it was made more difficult for employers to lay off workers '*if not based on fair grounds*'. Employers were strongly against it, as workers are given a right to take their case to the court and if the court decides in favour of the worker, the employer has to re-employ him/her. Previously employment at will prevailed, although the new law is not entirely inflexible. Temporary employment contracts, which do not entitle workers to a termination period, severance pay, or union membership, still continue, and the new law provides only insignificant additional job security.

The minimum wage, set annually and subject to taxation, still continues, despite suggestions from the IMF for its complete discontinuation or recalculation for various regions. Although employers welcome the idea, arguing their case based on high labour costs, the government seems to be against it, particularly because of political reasons (i.e. not to lose their electoral base shortly before the general elections). At the same time, the value of the minimum wage is debated given that there are many who accept to work for less than the minimum wage, unregistered and without any rights or social security. Lastly, the new labour law for the first time brought specific clauses for equal employment opportunities and non-discrimination, but their enforcement, especially for women's issues, is yet to be seen.

4.3.4.2. Unionisation and Collective Bargaining

Unionisation in Turkey has a limited scope. This can be partly explained by the relatively small size of the industrial base. There is still high employment in the agriculture sector, although its contribution to the GDP is limited, and employment in this sector does not necessarily mean paid-work as most of workers are unpaid family workers. Those in the agriculture sector are not unionised. Moreover, the average size of the typical firm is small and the majority of workers are employed in SMEs.

According to 1992-93 figures announced by the Ministry of Labour and Social Security (MoLSS), only around 8% of unionised workers were in SMEs (Çetik and Akkaya, 1999). Thirdly, in addition to family workers, there are also many un-unionised self-employed in various sectors (Koray, 1992; Şenkal, 1999). Lastly, the large volume of informal employment reduces the base for unionisation. Unregistered and part-time workers cannot be union members. Therefore it can justifiably be argued that the base for unions is not large.

Although it is argued that the rate of unionisation in Turkey is low, official labour and unionisation statistics by the MoLSS tell a different story. According to official statistics the unionisation rate in Turkey was 67% in 1998 (Çetik and Akkaya, 1999:103). However as many officers and administrators in the labour market agree, evident in their public speeches, newspaper articles or newsletters (of trade unions and employers' associations), statistics kept by the MoLSS are argued to be inflated, therefore not reliable¹¹. The published statistics by the MoLSS have been amended recently, hence are now regarded as more reliable. The rate of unionisation is however still considered noticeably inflated because of the widespread existence of the large informal labour sector, as the percentage unionisation rates are calculated by taking only the registered employment into account (Koç, 1999a; Şenkal, 1999). However the MoLSS is argued to prefer publishing higher unionisation rates than actual ones, to use them as evidence for the government's claim for widespread unionisation and non-suppressed labour, especially in international arenas such as the ILO and the EU.

In fact, unionisation in Turkey is quite difficult because of the restrictive legislation that came into effect after the 1980 military coup, '*a structure within which the state has sought to fetter trade unionism*' (Nichols and Sugar, 2004:153). Unions have to be organised both nationally at the sectoral and enterprise level. According to the current legislation, a union has to satisfy two conditions to be recognised, i.e. get the right to represent the workforce in a company in collective bargaining: firstly, at the macro level, it should attain 10% density nationally in the respective industry. Secondly, at the

¹¹ Koç claimed in an interview that the figures do not show the rate of unionisation but the number of union members, which is by no means correct as membership figures are not amended for job changes to different sectors and unions, retirements, job losses due to resignations or lay-offs, deaths, etc. In some years during the 1970s, for instance, the rate of unionisation exceeded 100% because of multiple union memberships and the MoLSS acknowledged this fact (Çetik and Akkaya, 1999).

micro level, it should obtain at least 50% +1 membership in the particular workplace or enterprise. This combined threshold at macro (industry) and micro (company) levels makes it very difficult for unions to claim authorisation for collective bargaining. Moreover it is inevitably a single union at workplace and/or enterprise level, as only one union can achieve the company level threshold to get the recognition certificate, hence the authorisation for collective bargaining.

There are additional clauses in the law that provide firms with other ways of keeping unions at bay. For instance, firms are given a choice to be regarded either as a 'workplace' at its various plant(s), headquarters, sales offices etc. separately, or as an 'enterprise' that includes all employees in the whole company (i.e. all blue- and white-collar employees in various parts of the company). Many companies in Turkey used to prefer to be regarded as 'workplace' because then a union had to reach the company threshold level separately in each plant. However more recent practice is in favour of being considered as an 'enterprise' instead of 'workplace', which makes it almost impossible for the union to reach the company-level threshold in many cases. For example, the number of blue-collar workers in some manufacturing sectors (such as the food industry), is far less than half of the total number of employees, due to improvements in technology and increased automation. Such rules are argued to violate the transnational legislation by ILO, of which Turkey is a member¹². However, no changes have been made, except a discussion on reducing the macro (national) level threshold. Many commentators agree that:

"The state's intention [in the post-1980 arrangements] was to de-activate, re-organize and then to exclude the present unions from the political sphere." (Sakallıoğlu, 1991:69)

The industries in which union organisation is allowed are determined by MoLSS. Currently there are 28 sectors and 94 unions¹³. Within the range of the above-mentioned reservations about the available data, the highest rate of unionisation is in the manufacturing sector, where some of the industries with the largest number of union members are Oil, Chemicals and Tyres, Textiles, Metal, Food, Energy, Construction, and Local Government. As a result of the double-threshold rules, unionisation at the national level is led by the three big Union Confederations: Türk-İş, DİSK and Hak-İş. Of the 94 unions, the majority are affiliated with these confederations. As already mentioned above, Türk-İş is the oldest and largest of the three, and is generally argued to be very pro-state, and right wing, although it includes also left wing unions (Koray, 1992; Nichols and Sugur, 2004). It has always had its largest membership in the public sector, where the state both has a regulating role and is the unions' counterpart in collective bargaining as the employer. It has had a pragmatic approach towards political parties, shifting with the political tide (Nichols and Sugur, 2004:157). Koç (1999a) similarly argues that:

¹² Interviews with various union officials

¹³ <http://www.calisma.gov.tr>, including independent nationally non-qualifying unions.

"If there is a force that has had its imprint on Türk-İş, it is the Turkish state, apart from the government. Türk-İş has from time to time opposed to the policies of the governments and has defied government authority. But it has never detracted from the general state policy and has never challenged the State." (p.35-6)

The second largest labour unions confederation in Turkey, DISK, was established towards the end of the 1960s by those who had left Türk-İş on ideological grounds. It was always a leftist organisation, ideologically driven in its activities. It still continues to be in strong opposition especially towards privatisation and also the mild unionism approach adopted by Türk-İş. The majority of its members are in the private sector. There have always been significant differences between the approaches of the two largest trade union confederations towards IR: while Türk-İş followed a mild and pragmatic unionism, DISK had a militant, ideological, class-conscious approach. It was 'punished' for having such an attitude, and suppressed severely and for a longer time than Türk-İş and Hak-İş: the former was allowed operate within months of the coup and the latter within a year, while DISK remained banned until 1991 after the military coup in 1980. Although even DISK cannot operate militantly any more within the tightly constrained legal environment, it still has a leftist ideological attitude. The third largest confederation, Hak-İş, is also ideologically driven, a 'conservative' organisation, which is generally known to be the 'Islamists' labour organisation. In addition to these main 3 confederations and their affiliated unions, there are some other small, independent unions, and so-called 'yellow' unions. These are in fact 'employers' unions, which are established and organised by employers themselves at their own workplaces only to deter the entrance of other, real, unions.

One of the most significant characteristics of collective bargaining in Turkey is that it has never progressed beyond bargaining over financial terms:

"Right from the beginning, Turkish trade unions have concentrated more on 'bread and butter issues' than on broad 'political and class' issues." (Koray, 1992: 11).

In general, collective agreements include extensive and detailed provisions about the wages and benefits. The unions have been successful in attaining their goals in this respect, and unionised workers earn considerably higher wages and benefits than non-unionised within their respective sectors. There are also significant wage differentials between manufacturing and services, where majority of the workers are not unionised. Public sector workers, many of whom are unionised, earn significantly more than those in the private sector. Finally, there are much more favourable wages paid in the large enterprises than in the SMEs, where the workforce is generally not unionised.

Issues such as training and development, productivity, job evaluation and job security have only recently started to be covered in a very limited number of agreements signed between a few of the largest labour unions and employers' associations, e.g. in the metal workers industry. There are only limited provisions with regards to union-employer relations, and clauses about employee participation

still do not come to the bargaining table, except that of the 'discipline committees'. Koray (1992) argues that the main reason had been the unwillingness of the employers in sharing their management authority and flexibility with workers or their representatives.

Labour unions could not attribute importance to these issues because of the priority of income demands given the low income levels in the country. In addition to the economic conditions faced by workers, one of the other reasons for such an attitude of the trade unions could be the lack of class structures in Turkey as understood in Western societies. Mainly due to late and underdeveloped industrialisation, and a state-led policy of '*a united national society and a unity without classes*', a working class and class-consciousness emerged only in the 1960s (Yazıcı, 1996:14; Koç, 1999a). However workers have never really gained class-consciousness, except perhaps during the 1970s, which was harshly ended by the military intervention.

It is also argued that the close contact of Türk-İş and its affiliated unions with American unions during the initial stages of Turkish unionisation might have been influential in establishing such a pragmatic approach of concentrating on 'bread and butter issues' (Koray, 1992; Nichols and Sugur, 2004). Employers in Turkey used high unemployment rates as a threat against labour demands, especially in terms of wage and job security issues, as they enjoyed extensive power in compensation and employment issues under the prevailing legal framework. The employers imply that workers should take the offer under the conditions the former set, or simply leave it, as there are thousands of others with similar skill and education waiting to be employed, ready to accept the given conditions (Parlak, 1996). This threat can be read from the following opinion of TISK:

"The welfare level of our unionised workers has reached far beyond that of civil service employees. If we also take into account the existence of nearly 3 million unemployed, it is possible to claim that workers in our country form a happy minority." (Türk-İş Working Report, 1983; cited from Sakallıoğlu, 1991:63)

Therefore, the relationship between the two parties in IR, i.e. employers and workers, generally was not perceived as co-operative and participative, but hostile and distributive.

4.3.4.3. Unionisation In Foreign Capital Companies

It is argued that the majority of the foreign capital firms operating in Turkey are not unionised, and they deliberately follow a de-unionisation policy (Koç, 1999b; Şenkal, 1999). It has been easy to follow such a policy, as the Turkish governments has created the suitable national environment since the 1980s for non-unionisation in an effort to decrease labour costs and to increase the competitiveness of Turkish products in the international markets.

Koç (1999*b*) argues that foreign capital firms, like domestic firms, used not to be against unions until the late 1970s. With the transformation of the Turkish economic system from import-substitution to export-orientation and liberalisation, they did not tolerate unions any more (Koç, 1999*b*). Between 1960 and 1980 when the Turkish economic strategy was import-substitution, only a few foreign companies invested directly in Turkey with the objective of serving the protected and unsaturated domestic market. Within this strategy, domestic and foreign capital firms alike could operate at higher profit margins, therefore they were not concerned too much about the labour costs. Workers therefore had enjoyed high earnings and good increases in real wages (Koç, 1999*a*; Koray, 1992; Yazıcı, 1996). However when the import-substitution policy was changed to an open-market, liberal one, emphasising export-led growth, it meant stiffer competition for the Turkish companies both in the domestic and international markets (Kepenek and Yentürk, 2000; Öz, 1999). The main advantage of Turkish products was their low prices, attained through low labour cost. Therefore the companies could no longer be tolerant of high earnings and wage increases.

Koç (1999*b*) claims that the FDI firms thus adopted a non-union policy after the 1980s. Figures show that the proportion of FDI firms that had a unionised workforce indeed decreased dramatically after 1980.

	Total no. of FDI firms	No of unionised FDI firms	% of unionised FDI firms
Before 1980	78	37	47
1998	4,400	192	4
1999	4,600	232	5

Table 4.1. Unionisation in foreign capital firms
Source: Koç, 1999*b*: 18

Koç (1999*b*) claims that FDI firms adapted their employee participation policies to the conditions in the Turkish environment, ignoring their home-country policies and supranational rules and standards, such as ILO ones. He states that foreign capital firms generally use the permissive pro-business legislation to get rid of unions without causing labour unrest or loss of public support, instead of employing aggressive union and labour suppression methods. Local partners and high-level Turkish managers in these companies are claimed to employ a very negative attitude towards unions, sometimes even more openly than their foreign partners. Widespread de-unionisation experienced in FDI firms particularly in the oil, chemicals and pharmaceuticals sectors was argued to be, firstly, a result of negative attitudes against unionisation, and secondly, to decrease labour costs within the new economic system.

It is argued that the changes in a business system brought by trickle-down mechanisms can be negative for some of the parties involved. The changes in the Turkish IR system since the beginning of 1980s, as a result of combined influences of national and international conditions are claimed to have created mostly a much less favourable environment for workers. There have been some relatively positive legal changes for labour recently, and more negative changes proposed by supranational institutions such as the IMF have not been realised yet. An amendment in the Trade Unions Law, which would reduce or cancel the sectoral threshold level has been discussed but not yet put into effect.

4.3.5. BUSINESS ASSOCIATIONS

It is argued that the high level of business dependence on the state has hindered horizontal networks between Turkish firms (Berkman and Özen, 2007). Business associations in Turkey have therefore been weak, firstly, as a result of particularistic and individualistic nature of relations between the business and the state, and secondly, the traditional hostility of the state towards organised interest groups (Bianchi, 1984). The traditional business association has been TOBB (the National Association of Chambers of Commerce and Industry), which represents SMEs. TOBB membership is organised on a geographical rather than industrial basis and is compulsory. TOBB has a quasi-governmental structure and it has been subject to strict state control. Therefore it has not been very successful in representing the diverse interests of its fragmented members against the state.

Voluntary business organisations in addition to compulsory Chambers started to be established in the 1970s and the 1980s, in an effort to increase the independent collective contribution of private sector business people as their social status changed positively in line with the increased importance in their economic position (Buğra, 1994). The first and most important of these voluntary organisations was TÜSİAD (the Turkish Industrialists and Businessmen's {sic} Association), generally known as the 'Bosses Club', established by the founders / managers of the 12 largest leading Turkish holdings, with the main objective of *'proving the social existence of the private business sector, not to defend certain benefits of their members'* (Buğra, 1994).

Founders and some later members of TÜSİAD aimed to perform a significant representative role, which the government-controlled Chambers could not do. However, whether it has been successful in reaching its goals of representing all of its members and securing their social position remains debatable. Its members usually refrained from openly criticising government members and politicians, sometimes even openly disapproving statements made by the management board (Buğra, 1994) as particularistic relations between business and the state continued. Although recent governments have been more positive towards business associations particularly to secure their support in international economic relations, e.g. EU accession, they still react severely to negative criticisms.

4.4. CONCLUSION: TURKEY AS A ‘HYBRID TRANSITIONAL’ HOST COUNTRY

In the previous sections, socio-economic background and the institutional elements of the Turkish business system are analysed. Table 4.1. highlights the major factors of this analysis: early elements and more recent changes are listed to emphasise the significant characteristics of the ‘hybrid transitional’ TBS.

Institutional complexes

The Role of the State	<u>Early Elements:</u>
	<p>State-led economic development: due to lack of private capital in the early periods, supported by unstable international conditions. Increased state intervention and import-substitution policy between 1960 and 1980, similar to global trends.</p> <p>State as a major economic actor in main industries through SOEs: developmental role.</p> <p>State assumed no role for businesses in the planning or application of industrial policies.</p> <p>State also supported private businesses with subsidised credits and other incentives: private sector started to flourish in the 1960s.</p> <p>Small amount of FDI inflows, particularly in comparison to some other developing countries, despite liberal FDI policies, due to economic and political instability.</p> <p>Continued role and presence of the state in the economy despite economic policy change to an export-oriented, outward looking one in 1980 and liberalisation of financial and money markets.</p> <p><u>Recent Elements of Change:</u></p> <ul style="list-style-type: none">- Significant and extensive changes particularly in the legal framework and the role of the state as a result of direct influences by transnational organisations, i.e. IMF, EU and OECD, such as:- Stabilised economy since 2002 with an IMF structural programme; reduced inflation and interest rates, stabilised foreign exchange rates, increased GDP and growth rate.

-
- Diminished role of the state as an economic actor, due to accelerated rate and increased amount of privatisation.
 - More transparency in the public domain and change in the particularistic nature of state-business relations, as a result of changes in the regulations.
 - Significantly higher amount of FDI as a result of economic and political stability.
-

**Educational
System and
Skills
Formation**

- Unitary system: academic education needed to reach good positions in the public and private sectors, while VET has not been highly respected
 - Mostly uneducated unskilled workforce
 - Scarcity of highly-educated highly-skilled workforce
 - Recent changes:
 - compulsory schooling increased to eight years,
 - more schools built and teachers assigned,
 - government funding for research increased considerably,
 - VET started to attract more attention and willingness from the business for collaboration with the state.
-

**The Financial
System**

- Credit-based system, where banking comprises the financial system.
- Weak and underdeveloped stock markets: low ratio of private businesses traded.
- Strong influence of state-owned banks in the system until 2003.
- Recent changes:

Significantly diminished role and share the state through privatisation and downsizing;

Increased share of foreign capital through acquisitions and mergers, after the economic stabilisation and strengthening of the banking system.

**Industrial and
Employment
Relations
System**

- Collective organisation rights 'given' and unionisation first organised by the state, which gave the state extensive power in labour relations as both the largest employer and regulator of the system.
 - Changes in the IR system after 1980 limited unionisation rates, decreased
-

unions' power, and created a disadvantaged position for workers through tight regulations.

- Suppression of labour and unions continues, while the state is pro-business against labour.
- Minimal change experienced in IR as a result of trickle-down trajectories, despite the need for the alignment of labour laws that violate international norms and agreements.
- Recent changes: amendments in labour law increasing job security, unemployment pay and equal employment opportunities.

**Business
Associations**

Business associations were not very strong, as a result of particularistic and individual relations between the state and large business owners.

Diversified, family-owned 'Holdings' emerged as the major form of large economic enterprises, as a result of state support, e.g. tax advantages in addition to credits etc.

Cross-ownership and strict control by family members in the holding and affiliates.

Strong state control and influence on compulsory business associations, i.e. Chambers and TOBB, while voluntary business associations, e.g. TÚSIAD, establish more equal relations.

Stronger employers' associations organised at the industry level, as counterparts to trade unions especially in collective bargaining.

Recent changes:

- Stronger voluntary business associations as a result of increased role in the EU accession process;
 - However governments still unable to accept negative criticism although they highly welcome favourable criticisms and help in e.g. lobbying
 - Increased involvement opportunities for business associations in policy making, e.g. in the EU accession process, although state dominance continues.
-

Turkey is presented as a 'hybrid transitional' business system where the various elements of the system have been going through both abrupt and more long-term changes. The establishment of the Turkish Republic, and the two military coups can be given as examples of abrupt changes that altered the political and economic scenes radically. Longer-term change process has been experienced more recently, when the influences of increased internationalisation have started to be felt more in Turkey after it liberalised its economy and particularly after 1999 as a result of EU accession process, hence became more open to the influences of transnational institutions. The evolution of the TBS also illustrates the influence both of 'trickle-down' trajectories from transnational institutions and of 'trickle-up' mechanisms from sectors and professions that end up causing considerable changes in the system.

In conclusion, this chapter has presented an overview of the socio-economic system of Turkey in order to understand the path-dependent nature of the development process that the TBS went through. The most relevant elements for the analysis of the transfer of American MNCs' HR policies and practices to the Turkish business environment have been emphasised. Key institutional elements, i.e. the role of the state, financial system, the system of education and training, industrial relations system and business associations, have been discussed while pointing out the outcomes of the change processes they have been experiencing.

CHAPTER 5. AMERICAN BUSINESS SYSTEM AND HOME-COUNTRY INFLUENCES

5.1. INTRODUCTION

One of the main premises of this study is that firms are rooted in their NBS, therefore national influences are significant for MNCs' behaviour both at home and abroad. Accordingly, US companies develop their management practices within the distinctive American business system, in which they are embedded and find the necessary control and coordination mechanisms. In this chapter, the NBS of the USA as the country of origin of the MNCs studied in this thesis is analysed according to the framework presented in Chapter 2. In the next section, the distinguishing characteristics of the US business system are presented. The influences of its significant elements, i.e. role of the state and business associations, financial system, educational system and skills formation, industrial relations and labour markets, on the formation of IR/HR behaviour of large American companies in their domestic environments are discussed. In the third section, the implications of the US business system for the formation and transfer of HR/IR policies to their international subsidiaries are examined. A tabular summary of the US business system's elements concludes the chapter.

5.2. DISTINCTIVE FEATURES OF THE AMERICAN BUSINESS SYSTEM

The American business system is generally classified as a 'compartmentalized' system (Whitley, 1999) or among the 'liberal market economies' (Hall and Soskice, 2001), or as a 'competitive managerial capitalism' (Chandler, 1990). The main characteristics of these business system types are an 'arm's length' coordination between economic actors, combined with prevalent flexible external labour markets, weak public training systems, occupational trade unionism and decentralised collective bargaining. However the US business system has various features different from other 'compartmentalized' systems, in particular the European ones. The main elements of the US business system that distinguish it from other systems are presented below. These elements, through complex interactions, provide a distinctive environment for American MNCs and their management practices.

5.2.1. *ROLE OF THE STATE AND BUSINESS ASSOCIATIONS*

The weakness of the American state, mainly due to the federal structure where power is diffused to the state levels, has been a major feature of the US business system. This weakness has been traced back, firstly, to the absence of feudalism, which led to the establishment of strong states in Europe, and, secondly, the early start of the industrial revolution (Jacoby, 1991). The operation of the US state below the federal level has been fragmented, where for instance states compete fiercely among each other to receive more private-sector investment by giving additional incentives. Therefore the

American state's main role has been limited to setting the framework for other economic actors, particularly in terms of creating a favourable investment environment for the private sector. The government has not however intervened to coordinate and plan economic activity as has been the case in e.g. Japan, or needed to supplement the comparatively late industrialisation as in e.g. Germany and France as a major economic actor. The US government therefore *'only acts as an arbitrator, supervising the adherence to rules of conduct by the participants in the national economy'* (Pudelko, 2006:146).

Economic coordination therefore has been predominantly left to markets, where investment, production and distribution decisions are made by private companies, without any explicit 'industrial policy'. The state has had a strong opposition towards inter-organisational coordination, reflected in the anti-trust and anti-cartel laws, which has paved the way for corporate consolidation through mergers, resulting in large size of American companies. The result of the combination of state's antagonism with the diverse interests of a large number of companies has been weak business associations. Limited business networks involving close links with university researchers were observed only for instance in high-tech areas such as defence, computers and pharmaceuticals, where coordination was achieved by the state (Hollingsworth, 1997). Moreover, the strong sense of responsibility among businesses for their own performance is argued to have resulted in weak business associations (Pudelko, 2006).

A final significant feature of the US state has been its success in shaping economic activity outside the USA, especially in the post-war period to promote the liberal market values in the face of the threat from non-capitalist systems, in particular the Soviet Union (Clark, 2000). Through now well-documented interventions, such as the Marshall Plan, it secured the current hegemony of American economy in the world by forming the necessary environment for American MNCs and the establishment of transnational economic organisations in which the USA plays a major role.

In brief, these characteristics resulted in a market-based economic coordination, where atomistic, arm's length, contractually-driven relationships between firms prevail. Long-term, trust-based relations between firms and providers of capital or labour resources were not established, as a result of the logic of the system (Clark and Almond, 2006).

5.2.2. FINANCIAL SYSTEM

The American financial system is characterised by two important features: the absence of long-term relations between industry and financial institutions, and a strong 'market for corporate control' and 'shareholder capitalism' especially after the 1980s (O'Sullivan, 2000). Historically banks had a

significant role in financing the core industries (e.g. railways, steel, oil and telephone), which continued until the early twentieth century. However the Clayton Antitrust Act of 1914, and later the government intervention in 1933 that separated commercial and investment banks brought the possibility of long-term relationships between companies and banks to an end. As a result of the weakened role of banks and capital markets in corporate finance, equity markets had developed early on. American business finance is therefore strongly reliant on equity markets, rather than banks.

Effective communication between shareholders and managements has been restricted to protect small investors from the possible outcomes of 'insider trading' by large investors. The primary option given to shareholders has been 'exit' rather than 'voice', which resulted in rapid turnover of shares (Jacoby, 2005). As shareholders base 'invest or divest' decisions on easily accessible short-term measures, e.g. quarterly reports, companies feel the strong pressure to increase their short-term profits and reduce costs. Especially with the increased international competition, which reduced the ability of American firms to achieve steady growth in sales and profits, increasing 'shareholder value' has been the main management ideology particularly for the last two decades (O'Sullivan, 2000; Pudelko, 2006). Major consequences of this widespread ideology have been experienced in labour issues, particularly in terms of downsizing, affecting all types and ranks of employees in all sectors. Downsizing together with the distribution of revenues to shareholders have been utilised for keeping an attractive profile in the stock market.

This structure of the financial markets at the same time has certain advantages especially for the development of new business, through the funding opportunities for small firm start-ups with venture capital. As a result, and in particular with the interaction of various elements of the business system, e.g. strong individualism, tradition of entrepreneurship, and flexibility of external labour markets, small and profitable start-up companies have been significant in technological innovation, and particularly creation of wealth, jobs and management techniques (Pudelko, 2006).

5.2.3. EDUCATIONAL SYSTEM AND SKILL FORMATION

The USA has been the leader in the development and use of standardised mass production and application of scientific management principles. The American model of mass production system moreover implied a strict 'hierarchical segmentation' between managers and workers, and 'functional segmentation' in highly skilled labour (Lazonick, 1998:206). These factors had profound influences on the American education and training systems. Firstly, the national system produced potential employees with basic skills and education to accommodate the less skilled labour needs of mass manufacturing sectors. Pudelko (2006) argues that the American educational system involves an outstanding 'elite' education while neglecting mass education. Top universities produce high

performers, particularly managers, with high salaries and fast-track careers. Secondly, at the company level, the subsequent training of blue-collar workers has been limited, short and job-specific. There has been little incentive for companies to invest in training for complex skills, as firstly the production system was based on low-skill, easily replaceable rank and file workers who could be fired and re-hired according to the business' needs, and secondly, firms relied mainly on poaching from external markets for their skilled labour needs. Firms have invested comparatively more in the training and development of managers, technicians and supervisors, as they relied on managerial organisation for the development of new productive capabilities. While graduates from good universities have been the managerial and technical backbone of strong American companies, basic education that left under-qualified workers with a few basic skills is claimed to be responsible for under-performance with complex production systems that required sophisticated skills, flexibility and adaptability.

5.2.4. *INDUSTRIAL RELATIONS AND LABOUR MARKETS*

Unionised industrial relations (IR) in the USA has been strongly adversarial, formalised and standardised (Pudelko, 2006). The key characteristic of IR in general has been a profound anti-unionism among the majority of employers throughout its history. Even the New Deal model could not change most employers' negative attitude towards collective representation, although many firms were legally forced to accept the collective employment relations. This deep-rooted ideological anti-unionism was explained by historical and institutional features, such as the extreme, market-oriented individualism, the 'American Dream' that emphasises personal ambition and endeavour, and the economic and political dominance of the market in the US system, particularly in the absence of a strong state and feudal heritage (Jacoby, 1991; Colling, 2001). The state contributed to union suppression by employers, by creating a permissive legal environment, in support of a market orientation and employer interests throughout American labour history, excluding the New Deal period (Clark and Almond, 2006). The impact of deep-rooted anti-unionism by employers combined with state support has been weak unions, evidenced in the low levels of union density and growth in membership: as a result of the New Deal reforms, union membership as a percentage of non-agricultural labour reached its historical peak in 1945 at 36%, from as low as 13% in 1935. It has since been suffering decline, a slow one in the 1950s and rapidly since the 1970s, reaching 14% at the end of the 1990s, almost the same level in the 1930s.

The basis for the New Deal model of industrial relations was laid by the National Industrial Recovery Act 1933 and the National Labour Relations Act (commonly known as the Wagner Act) of 1935. The New Deal model established the legal mechanisms for unions to get organised and formally recognised. Employers were forced to recognise unions' rights and accept collective bargaining to set wages. With the help of the New Deal, unions were able to organise, gain recognition and made

detailed and binding collective agreements in many large American manufacturing companies. However neither the US state nor the employers' have ever been strongly committed to pluralist industrial relations, and unionised IR has not been deeply embedded in the American business system (Clark and Almond, 2006).

This unionised model was based on strictly defined jobs, pay rates linked to job types, and seniority-based rules for promotion and layoffs. The 'industrial' employment system (Osterman, 1987), which provided employees with elements of job security suited the mass production system that needed labour stability and predictability to exploit economies of scale. Collective agreements in this system had the force of legal contracts, making strikes during the period of a collective agreement unlawful. Strikes could therefore only occur lawfully during disputes over the renegotiation of an expiring contract. The contractual status of agreements meant that they were highly detailed in content and had formal grievance and disputes procedures to keep the industrial peace.

However the New Deal system started to lose ground from the 1960s, which resulted in the emergence of a non-union industrial relations system (Kochan, Katz and McKersie, 1994). Jacoby (1997) argues that 'modern welfare capitalism' has taken the place of unionism in many of the larger firms, as the more flexible, fluid and non-unionist 'salaried' system responded well to, firstly, the structural changes in the industry and employment, and secondly, related changes in managerial strategy. Declining importance of mass production and rapid growth of new non-union firms were among the main structural changes, which were accompanied by shifts in occupations towards white-collar and professional jobs, and changing profile of employees, i.e. educated workers with non-collectivist values regarding pay and promotion. Managerial strategy changes were influenced by factors such as growing workplace militancy since the 1960s, emergence of new technologies, increased instability of product markets and demand, and growth in, particularly international, competition from the 1970s. Employers' preferences for labour stability and predictability were as a result replaced with concerns for reduced labour costs and increased flexibility. These factors were argued to have brought the necessary conditions for the re-emergence of US employers' deep-rooted anti-unionist attitude (Jacoby, 1997). They applied various methods for de-unionisation in the previously unionised companies, including moving operations to non-union greenfield sites in employer-friendly states beyond the states where New Deal model was more developed (Kochan *et al.*, 1994).

The non-union model in the US ranged from 'low road' to 'welfare capitalism'. 'Low-road' firms that avoided unions mainly on cost-cutting grounds exploited low skill peripheral workforce in such sectors as agriculture and retailing with low wages (and no benefits), no training, and aggressive management. 'Employment at will' generally allows US employers to dismiss workers for any reason, i.e. they are not legally required to provide evidence for 'fair' dismissals, except for the more recent

regulations on equal employment opportunities. External labour markets in the US have been therefore very flexible, '*a place where anything goes*' (Kochan *et al.*, 1994: xiii).

The sophisticated non-unionism model of 'welfare capitalism' however reflected an ideological opposition to unions, i.e. 'doctrinaire' non-unionism (Foulkes, 1980:47), which argued that the company, rather than unions or the state, should provide for employees their highest expectations, including security and welfare (Foulkes, 1980; Jacoby, 1997). Welfare capitalists were not merely anti-unionist but they also developed 'innovative' techniques to gain the commitment of employees while also aiming to keep the unions and state at bay. They for instance adopted distinctive remuneration strategies and applications: linked to performance appraisal, thus more flexible performance-related pay systems, e.g. profit-sharing and gainsharing schemes, were first developed by welfare capitalists. They also acquired employees' loyalty and commitment through tangible benefits, e.g. pensions, health care systems, unemployment insurance, as well as use of human relations methods, e.g. employee attitude surveys, communication programmes, and individual- and small-group oriented psychological approaches (Foulkes, 1980). Moreover, as opposed to the 'employment at will' practice of 'low road' employers, welfare capitalists were found to be pursuing internal labour market systems, where long-term employment relations, promotion from within and commitment to employment security even during economic downturns were essential features. Given the low turnover rates, promise of a career instead of a job, and sophisticated and costly techniques used for employee commitment, they have developed sophisticated recruitment and selection techniques to ensure the selection of the 'right' people, which also meant screening those sympathetic to unions (Jacoby, 1997). The internal labour market approach of the non-unionised welfare capitalists, with fewer but broader job grades and definitions that allowed for greater flexibility in labour deployment between tasks, departments and locations, operated much more flexibly than those in the unionised firms where job definitions and grades, career ladders and seniority rules were tightly defined. More secure and flexible employees were less resistant to change, which made retraining and adaptability to new technologies and production systems (e.g. team-based) easier and quicker (Osterman, 1999).

The American welfare capitalism model reflects the embeddedness of employment policies and practices within a specific institutional environment, where structural and organisational factors, such as comparatively stable product markets and demand growth, relatively higher capital intensity and lower labour costs, financial success, and leaders and owners with strong anti-unionist attitude with a firm belief in the system, allowed its application. However with the changes in the environment, such as the intensification of international competition particularly on cost basis since the 1980s, most of the welfare capitalists were not able to keep their rather costly internal labour market approach and supporting HR strategies. Unionised New Deal firms on the other hand could not respond to market needs such as product flexibility and lower costs with the institutionalised tight job descriptions and

higher wages. Therefore it is argued that there has been a growing trend in the American industrial relations away from both unionised and non-unionised internal labour market employment systems towards 'low road', contingent (e.g. temporary, agency and contract work) and 'core-peripheral' approaches (Osterman, 1999). Nevertheless, there is also evidence for the continued application of both industrial and welfare capitalist approaches despite adaptations according to the current conditions, e.g. the 'hybridised' and 'downsized' ILM models for managerial employees found in the European subsidiaries of some US MNCs by Butler *et al.* (2006).

5.3. US BUSINESS SYSTEM AND IMPLICATIONS FOR THE INTERNATIONAL TRANSFER OF IR/HRM POLICIES

The above discussion claims that, firstly, the US business system consists of a distinctive set of institutional elements as a result of a unique historical development, and secondly, the influence of the interaction of these elements on the development of IR/HRM at the company level has been complex. It is argued that the US business system is distinguished by a lesser degree of institutional development in many areas, as evidenced in the far weaker role of the state in regulating the employment relations, and in the permissiveness of labour and product markets in the absence of strong business associations or other inter-organisational networks (Clark and Almond, 2006). Pudelko (2006) defines the USA system as a '*short-term performance efficiency based on flexible market structures and profit orientation*' system (p.137). On the one hand these features can provide a greater range of strategic choices available to firms and managers in IR/HRM, resulting in a greater diversity and changeability in strategies and behaviours. For instance, the market-driven, relatively unconstrained nature of the system allows US firms to develop innovative policies and practices, which they might want to take to other subsidiaries as a 'best' model and source of competitive advantage. Moreover such policies developed in an unconstrained, less regulated, 'arm's length' system have a higher 'context generalisability' than those developed in highly constrained ones. On the other hand, American firms can be constrained by other elements of the institutional system, particularly the pressure imposed by the 'shareholder value' driven financial markets that results in short-termism and related consequences for HRM, e.g. downsizing.

It is worth emphasising once again that the American IR/HRM strategies and systems are deeply embedded in the distinctive American business system, as are other national business systems and their HR/IR practices. Although cross-national learning of management practices is well-evidenced and changes in the HR systems of for instance Germany and Japan towards the American system are found (Pudelko, 2006), systems still retain their context dependence and there are few signs of the emergence of a 'universal' business model. Therefore transfer of HR/IR systems from one business

system to another should be approached with caution, as it is possible only within the constraints of the respective national context.

Within this distinctive national business environment, as the brief discussion above points out, there is considerable variance in the IR/HRM approaches among American firms. Their responses to the features and constraints at the national level differ, moderated by industrial conditions and company characteristics. Moreover, there are a large number of US MNCs and their international subsidiaries, where the latter have additional differences that impact internationalisation, in terms of e.g. structural factors, corporate history, ownership and leaders, etc. As such, generalisation of the IR/HRM patterns of US MNCs and the extent of their transfer to foreign subsidiaries can be rather superficial.

Nevertheless looking at the above picture, US MNCs might be expected to be more likely to use standardised, formalised and centralised HRM policies, especially regarding performance and payment policies and practices (e.g. Ferner *et al.*, 2005a). Given the international dominance of the US business system, US MNCs can be more inclined towards transferring their management behaviour unchanged to host environments, with an 'ethnocentric' approach, attempting at cross-national 'isomorphism' (e.g. Ferner and Quintanilla, 1998). As such, they are also expected to be quite 'innovative' in the host environments, regarded as 'innovators' in HR, and 'exporters' of their management applications to other countries (Bloom *et al.*, 2004). In terms of IR, American MNCs are expected to avoid unions, and where they cannot, to minimise unions' influence on their management policies and practices. Obviously characteristics of the host-country business system will also be significant and the outcomes of the interaction will be different in each country and the outcomes are unclear. While home-grown HRM policies might be argued to be transferred most easily to institutionally more similar environments, US firms might be less likely to tolerate some constraints in institutionally more distant countries if they see them as a threat (Clark and Almond, 2006).

Literature findings moreover suggest that US MNCs are highly inclined not to recognise unions in their international operations and show hostility towards collective representations (Ferner *et al.*, 2005b). They employ union 'substitution' methods, e.g. extensive internal communication, employee involvement and participation, and promotion opportunities, to make non-unionisation more attractive for blue-collar workers (e.g. Beaumont and Townley, 1985; Ferner *et al.*, 2001). US MNCs can also use suppressive methods, e.g. threatening to re-locate. The host system can influence their reaction to unions in unexpected ways: in highly regulated 'institutionally strong' environments, e.g. in Germany (Muller, 1998; Colling *et al.*, 2006) and Spain (Colling *et al.*, 2006) US MNCs try harder to minimise union.

5.4. CONCLUSION

The interdependent and intertwined features of the US business system create the distinctive environment in which American firms' management policies and applications are rooted. The most significant of these features are summarised as below:

The state and business associations	<ul style="list-style-type: none">• Relatively weak state; where power is devolved to the state level.• Regulatory, rather than developmental state.• Lack of national industrial policy.• Respecting and supporting 'market regulation'.• Strongly opposing inter-organisational networks; exercising anti-trust actions.• Historically weak business associations, as a result of state's strong opposition.• Opportunistic and contract-based inter-firm relations.
The financial system	<ul style="list-style-type: none">• Equity-based system for financing firms• Strong pressure for maximising 'shareholder value' particularly recently; resulting in short-termism• Supports entrepreneurial business establishments, new product and technology development through venture capital
The educational system and skill formation	<ul style="list-style-type: none">• Highly stratified education system.• Average mass education with only a few skills developed.• 'Elite' higher education, especially for managers.• Mass production systems have entailed a hierarchical segmentation that depends profoundly on managerial organisation.• Training is seen more as an individual responsibility than a result of coordinated collaboration between state agents, employers and unions.• On-the-job training has been narrow, limited, and task-related.
The IR system and labour markets	<ul style="list-style-type: none">• Deep-rooted anti-unionism.• State has not supported collective action of workers through legislation, except the New Deal period. Unionisation has historically been low.• 'Industrial' model of ILM approaches reigned in unionised companies, with tightly defined jobs, grading systems and wages.• 'Low-road' anti-unionism approaches involved low-wages and exploitation of labour with suppressive management.

	<ul style="list-style-type: none"> • ‘Ideological’ anti-unionism combined with high road approaches were applied in ‘welfare capitalist’ companies. ILM approaches, combined with ‘innovative’ communication and benefit practices prevailed in welfare capitalists.
--	---

Table 5.1. Components and significant characteristics of the American business system

The above characteristics of the ‘arm’s length’ business system (Whitley, 1999) creates a particular environment with certain opportunities for and constraints on the operation of firms. On the one hand, as a weakly institutionalised, market-led system it presents a higher level of flexibility and a greater range of choices and outcomes for firms. However it also reinforces short-termism, which results in negligence of long-term investment. A greater variety of management policies and practices, depending on individual responses of firms to the underdetermined institutional framework, can be found in American companies.

American MNCs are expected to show a strong inclination to transfer their distinctive ‘home-grown’ management policies and practices abroad. Such an attitude is encouraged firstly by a deep belief in the universality of the American ‘way’ informed by the early development of organisational capabilities at home based on mass production for large markets and managerial capitalism, and secondly, in the economic and political hegemony of the USA in the world, i.e. ‘dominance effects’. However degree of actual transfer and application are likely to be influenced by the constraints imposed by different institutional systems in host countries.

CHAPTER 6. EMPLOYMENT SYSTEMS AND LABOUR MARKET ORIENTATIONS OF US MNCs IN THE TURKISH BUSINESS SYSTEM

6.1. INTRODUCTION

This chapter analyses US MNCs' orientations in their employment systems in Turkey. It examines the extent and nature of the influences exerted by the Turkish business system on the case companies' employment strategies. In particular labour market policies and practices, including preferences for internal and external labour markets, and the associated approach to work organisation, are investigated.

Various alternatives exist for the same work to be performed using different hiring, training, promotion, turnover, reward and unionisation patterns. These patterns, i.e. employment subsystems (Osterman, 1987) or patterns (Katz and Darbshire, 2000) can change, as a result of transformation of occupations or in response to changes in institutional labour structures. Employment relations in the strongly market-oriented US business system are generally described to follow the same logic, where talent and employers meet in the marketplace. Therefore high turnover rates and mobility are seen as natural where supply and demand for labour meet in external labour markets (ELMs). However within the heterogeneous nature of employment system applications in the US business system, there has been a long tradition of developing firms' own, particularly managerial, employees within the strong internal labour markets (ILMs). From the 1950s until the 1980s, ILM systems were widely applied in the more strongly unionised sectors of the American economy and, from the 1960s, a growing number of 'high road' non-union firms (Kochan, Katz and McKersie, 1994; Katz and Darbshire, 2000). Osterman (1999) claims that two ILM models, i.e. 'industrial' and 'salaried' subsystems, prevailed largely in the post-war USA until the 1980s. The more detailed framework of non-unionised employment patterns developed by Katz and Darbshire (2000:10), i.e. HRM, Japanese-oriented, and joint team-based, also involve many elements of ILM. The common aspects of these employment systems are, entry to job ladders open only at a few, entry-levels, T&D offered by the companies, long-term employment and career opportunities within the same firm, where promotion opportunities for climbing up the ladder were saved for 'incumbents'. Early in the 1980s research provided evidence that American workers had nearly as much job stability as the Japanese (Osterman, 1999). Osterman (1999) argued that the post-war institutional structure of the American labour market was marked by job security particularly in the 'core' industries.

However, ILM structures started to experience continued pressure from the 1980s, mainly because of reasons related to changes in employment trends, increased competition, technology and capital markets. Survey results provide evidence for the 'deterioration' of the American labour market

organisation in terms of changes in the norms, career patterns (e.g. declining job tenures, increased job turnover and increased dislocation), wage determination, shifts in the external context that governs the labour market, and changes in the structure of the economy itself (Osterman, 1999). The absolute number of contingent employees among the total labour force has also increased since the 1980s. Such findings are interpreted as indicators for weakening ILM approaches that give way to increased use of ELM systems in the US firms, even in those that formerly used ILM systems (Capelli, 1995; Osterman, 1999). There are even claims for the death of internal managerial careers (Capelli, 1999). However, there is also evidence found for continued application of ILMs, though with modifications, by US MNCs in their European operations (Butler *et al.*, 2006). Moreover non-unionised employment patterns that Katz and Darbshire (2000) argue that spread in the USA retain some ILM features.

Turning to the host environment, the Turkish labour market features, i.e. unbalanced availability of (highly qualified and unskilled) labour, comparatively lower wages, weak unionisation, permissive legislative system and pro-business governments, present a discrete environment in which US MNCs need to decide upon and operate their employment systems. Another significant feature of the TBS is its openness to influence from internal and external institutions and actors in transforming its already permissive labour market while trying to achieve major economic (e.g. increasing exports, while supporting private businesses, creating economic stability and growth, reducing unemployment) and political (e.g. EU membership) government objectives.

Within the presented framework, this study found evidence for the application of significant aspects of ILM models by US MNCs transferred to their Turkish subsidiaries from home systems. Case companies in this study were overwhelmingly characterised by ILM approaches applied not only to managerial but also blue- and white-collar employees. Although only limited evidence at the US corporate level (i.e. from regional HQ) was collected, combined findings of the fieldwork suggested that US MNCs transferred their corporate employment strategies that involved ILM approaches in the home-environment to their Turkish subsidiaries. The interaction of TBS and sectoral influences both necessitated and supported the retention of home-grown corporate strategies in Turkey. Firstly, to achieve high productivity and quality standards, imposed by the corporate parents, using complicated production technologies and methods transferred from the US, case companies needed to secure highly educated and skilled workforce, which was scarce in this host environment. Their main employment objective was therefore maximising predictability of labour supply with the necessary characteristics. This objective almost imposed the application of developing employees in-house. Secondly, the permissive legislative environment and sufficiently low level of labour costs provided a supporting rationale for the transfer of corporate ILM models.

This chapter starts with an overview of literature on employment systems to set the framework for the examination of US MNCs' strategies in the Turkish environment. In the next part, the significant features of the Turkish labour market that influence the employment systems are presented, which is followed by an analysis of the empirical findings. A summary of findings concludes this chapter.

6.2. CHOICE OF EMPLOYMENT SYSTEMS AND US COMPANIES

Osterman (1988) defines a firm's ILM as comprising "... *the rules, administrative procedures, and norms that govern the hiring, training, deployment and compensation of labor*" (p.44). In the 'ideal type' ILM, employees start at the bottom of a job ladder and are expected to move up over a long career with the firm, where the positions at the higher levels are reserved for 'incumbents' and closed to the outside. Osterman (1987) defines two main employment subsystems within the ILM approach, i.e. the 'industrial' and the 'salaried' models that differ along the four categories of factors that define the sub-systems: Job classifications (whether jobs are defined broadly or narrowly) and job definitions (rigid or loose, i.e. whether a person doing a job does only those tasks or whether s/he will be expected to do other work); deployment (how employees are moved from job to job, i.e. management's discretion or seniority-based); security (explicit or implicit promises of lifetime job security or no promises beyond the current day's work; and how dismissals are determined, according to some rule, e.g. reverse seniority, or management's preference to release whom it chooses); wage rules (whether wages are attached to job classifications or individuals).

The 'industrial' system is characterised by tightly defined jobs with clear work rules and responsibilities attached to each classification. Management is free to move individuals between jobs but promotions and lateral shifts are typically done by seniority and with workers' consent. There is no formal or explicit job security promised and management at least theoretically has the freedom to adjust the size of the labour as it wishes, which provides flexibility to the employer. Layoffs follow 'Last-In-First-Out' (i.e. reverse seniority) rule. Wages are attached to jobs, and are therefore defined according to the job classifications (Osterman, 1987). 'The traditional ("New Deal") pattern' (Katz and Darbishire, 2000:25) has dominated the unionised employment pattern since World War II.

Although the industrial system theoretically gives employers the freedom of varying their employment size at will, it in fact creates an important shield for workers against layoffs through work organisation. Tight job definitions mean management cannot easily use this right by re-organising tasks or combining jobs. Inability to easily and quickly change the work organisation when technology necessitates is the major difficulty of this system, as the experience of US companies in the recent decades showed (Osterman, 1988).

In contrast to the rigid and tight industrial system, the salaried model is a combination of more flexible and fluid administration procedures. Job descriptions are subject to revision by superiors and employees are expected to be ready to take on new tasks as demanded. Flexible career lines and job descriptions provide internal flexibility to the firm in the deployment of the workforce while the former are also consistent with individualised considerations in wage setting. There is more scope for merit considerations as wages are not linked to jobs, therefore wages of two individuals in the same job can vary considerably. A major feature of the salaried system is the greater commitment to employment security: although no absolute or explicit promises are made by employers, there is the implicit promise for lifetime or long-term employment. The important point is that employees are sufficiently convinced of the sincerity of the firm's commitment, i.e. the 'security pledge', that lay offs either will not occur or that the firm will make every reasonable effort to avoid them. In return workers provide employers with the flexibility in deployment. Obviously the exact level of security depends on the nature of the industry, the firm's history and other variables (Osterman, 1988)

As the discussion above points out, firms consider three main objectives when deciding upon their employment systems, e.g. minimising costs, maximising predictability and maximising flexibility. These are potentially conflicting objectives, and trade offs might be needed: for instance, if a company's primary goal is maximising flexibility in its staffing levels and deployment, it may adopt an ELM approach. It can hire skilled workforce from outside without sacrificing flexibility, if the labour market functions properly. But if it does not, the firm will have to give up on predictability, as skill shortages and sharp and unforeseen wage changes may develop. Consequently if maximising predictability is the most important goal for a firm then it will prefer to adopt the industrial subsystem, develop internal job ladders and on-the-job training systems. Similarly, cost minimisation can be achieved by secondary systems, which also provide flexibility; however, it also comes at the cost of predictability as secondary workers have few attachments and minimal loyalty to the firm (Osterman, 1987).

Stable patterns of employment for blue- and white-collar work in the US labour market emerged in the wake of the Second World War. Until the 1990s, work organisation in the 'core' firms followed the two dominant ILM approaches, i.e. the industrial and the salaried models providing job security (Osterman, 1999). Since the beginning of the 1990s however ILM approach is under pressure in the USA mainly for four reasons: first, the effects of the shift from manufacturing to service industries, hence changes in the number and mixture of people employed in these sectors and skills requirements; second, increased competition within tougher domestic and international markets, which raised serious cost considerations; third, improvements in technology and their results on not only production systems but also management and control that changed business practices radically (Osterman, 1999; Claydon, 2004); and fourth, changes in the capital markets, especially the rise of 'shareholder

capitalism' that gave way to extensive downsizing and layering to increase 'shareholder value' in the short-run (O'Sullivan, 2000) that reduced internal career development opportunities.

As such macroeconomic uncertainty and management ideology make the job security promise problematic and push firms toward higher turnover but less costly systems. Two new 'innovative' methods emerged: firstly, the 'core-periphery' model where the salaried model is replaced by the industrial one but it covers only a small number of workers while some of the work is shifted outside the protected portion of the ILM through various secondary systems (e.g. part-time, temporary and contracted workforce). The second strategy comprises of ignoring the conflicting pressures and simply trying to force work rule changes by employer militancy or concession bargaining (Osterman, 1999).

6.3. INSTITUTIONAL INFLUENCES OF TURKISH LABOUR MARKET ON EMPLOYMENT SYSTEMS OF US MNCs

6.3.1. CHARACTERISTICS OF LABOUR MARKET

The Turkish labour market is characterised by its abundant cheap workforce, which is one of the most important reasons for foreign companies to invest into Turkey. Although domestic employers complain about high labour costs, mainly on the basis of high redundancy and social security payments, for large companies that invest in new, modernised and efficient production technologies, the cost of labour is still much cheaper in Turkey in comparison to developed economies and European markets.

However the majority of the labour force is less- or un-educated, and semi- or unskilled. Among first-time job seekers, education and skill levels continue to be low: the total schooling rate in secondary education (from age 11) in 2001-02 was 43%; total number of graduates from secondary education was 683,000 (232,000 of whom were from vocational and technical schools) in 2003-04. The total number of university graduates in 2004-05 was 296,000 from vocational and undergraduate programmes, and 22,000 from postgraduate (masters) programmes respectively¹⁴. Although these figures might seem high in absolute terms, education provided is general, quality is low except in a few 'better' schools, and skills gained are very few and narrow. Therefore the recruitment pool for educated and skilled blue-collar, professional/white-collar and managerial jobs is small, especially for foreign-capital companies that require foreign language skills among many other credentials. There is therefore an uneven labour market in Turkey: a cheap and large group at the lower end of education and skills, and a small group at the higher end of education and skills.

¹⁴ <http://www.meb.gov.tr>

In addition to the above picture, there is some human capital with accumulated knowledge, experience and job-specific skills in the Turkish and foreign-capital companies in many manufacturing and service industries, mainly because of the comparatively earlier start of industrial development in Turkey among the developing countries and the necessity of development through company-based training and development programmes given the lack of qualified labour.

6.3.2. INFLUENCES OF THE ECONOMIC, POLITICAL AND LEGAL ENVIRONMENT

Unstable macro economic and political conditions and recurrent economic crises were among the factors that influenced labour market conditions in Turkey. For instance the fieldwork for this research was carried out between 2002 and 2004, shortly after the worst economic crisis in Turkey. The economy got significantly smaller, many SMEs in manufacturing and services went bankrupt or shrunk considerably, and many jobs were lost in the financial sector due to bankruptcies and restructuring. At the time of the fieldwork, workers were not in a position to job-hop and turnover rates were largely dependent on employers' actions. Although exact figures could not be taken from all cases, interviewees reported 'negligible' voluntary turnover rates, in especially blue-collar but also white-collar jobs. Low turnover rates in the case companies can be partly explained by the desirable employment conditions provided by the US MNCs in an unstable business environment. There were certain sectoral, e.g. hotel industry, or job type, e.g. sales, exceptions in terms of voluntary turnover where employees could leave and find jobs in other companies. However almost all of the interviewees in this research boasted that as '*responsible, long-term employers*' their companies did not practise mass dismissals during the unfavourable economic and market conditions of the time.

It is worth mentioning however that there might have been a certain degree of sectoral bias due to the choice of case companies: US MNCs in this study might have not needed to drastically reduce employee numbers because of supplying export markets or government institutions, serving certain types of clientele, or types of product for which the sales did not decrease during difficult economic periods. Finally, a partial explanation for low turnover rates of US MNCs might be found in size of their operations in Turkey: although increasing considerably, FDI inflows are still very small, and foreign-capital companies provide only 7% of the total employment in Turkey¹⁵. The possibility of finding similarly good terms and conditions in other foreign-capital firms is less, which might in turn inhibit job hopping.

¹⁵ www.oecd.org Share of employment of affiliates under foreign control in which an investor holds more than 50% of the shares with voting rights. This figure would grow, if other companies where foreign capital has less than 50% share were included. There are a few large companies where the share of foreign capital is still large, e.g. 49%, but these are not included in this statistic.

Providing job security and long-term employment opportunities is in fact aligned with the traditional employment arrangements in many of the large institutionalised organisations in Turkey, and with employees' expectations. Although 'employment at will' and a 'low road' approach prevail in the low skill / low cost sectors and especially in SMEs, Turkish employees are more accustomed to long-term (even life-time) careers / jobs in the large organisation. This is mainly because of the lifetime employment practices in the SOEs and government institutions, which are the largest employers and traditionally offered such employment. Many of the large and modern companies in the private sector have followed the ILM policy by keeping their carefully chosen employees for a long time. Job hopping has not been the traditional strategy among Turkish employees for career advancement until recently: for instance, when applying for promotional job opportunities, too many job changes were not perceived as a positive feature. Again some sectoral influence can be potentially found for the prevalence of the opposite approach. Recently in certain sectors, such as finance and banking, FMCG, pharmaceuticals, etc., and particular jobs, e.g. sales and marketing, job hopping has been argued to be seen more, although concrete evidence is not available.

Most of the large employers have not preferred poaching as a recruitment strategy either. However, sectoral factors became more prevalent recently in specific sectors, such as banking and luxury hotels. Employees of companies where extensive T&D opportunities were known to be provided, have been highly preferred in the labour market. Similar experiences were reported in FinCO where well-developed employees went to other banks and financial institutions during the growth period of the Turkish banking industry. However this was also partly explained by the small size of FinCO operations in Turkey: higher level career opportunities were not sufficient in number to keep its highly qualified and trained employees and managers in the organisation when there had been better career prospects. Similarly it was claimed by HotelCO managers that their highly qualified and trained employees were sought by other competitor chains in the luxury hotel sector, so '*whenever a new [luxury hotel] chain opens, our turnover rates soar, as it is difficult to find qualified employees and then train them in this sector*'¹⁶. Finally, high-level government officers and bureaucrats have been traditionally transferred to the private sector after gaining extensive knowledge and experience in the state. This practice proves useful particularly for the company's relations with the government and bureaucracy, which is very important in the TBS given the significant role of the state (see Chapter 4).

Employment systems and R&S activities have never been restricted by the legal framework in Turkey. In fact, legislation provided a permissive environment for hiring practices: companies can use any channels, methods and tools for R&S. There have been no constraints on the number, nationality,

¹⁶ HR Director, HotelCO

gender, age etc of workers to be employed by local or foreign-capital companies. There are slightly more restricting rules brought by the new labour code effective since 2003 for 'dismissals at will', downsizing and complete shutdowns, although it had traditionally been quite flexible for employers. Employers had started to complain of 'inflexibility', i.e. difficulty of layoffs, mainly due to the provisions of the new labour law (i.e. employers now have to have 'a valid reason' to fire employees, which can be unsatisfactory performance or 'unacceptable behaviour in the workplace', but cannot be 'being a union member and engaging in union activity, or discrimination based on race, colour, gender, marital status, family responsibilities, pregnancy and giving birth, religion, political belief) and the high cost of redundancy payments. Relevant clauses state that employees made redundant during downsizing or shutdowns should be given priority if the company rehires or restarts business in the same sector. However the new law also brought more flexibility for employers in terms of 'temporary employment relationship', which essentially allows employers to 'transfer' their employees to another group or unaffiliated companies for a maximum of 18 months.

Although most of the large employers in Turkey were initially concerned about the new law, which coincided with the fieldwork of this study, HR managers interviewed in the US MNCs were not equally anxious. They contended that they had already been applying even more than the new legal requirements, e.g. systematic R&S and performance management systems that supported EEO and non-discriminatory policies, and provided fair monitoring of performance and decision making for dismissals.

6.3.3. ISSUES IN FINDING CANDIDATES WITH THE REQUIRED QUALIFICATIONS

Case companies in this study did not report problems in recruitment of blue-collar workers at entry-level positions. In terms of location, almost all case companies were located in the most industrialised and developed parts of Turkey, e.g. around Istanbul and Izmit. Even though they were located in the most privileged areas, selection, not recruitment, of the most appropriate blue-collar workforce from the candidate pool was an issue, as not all applicants have similar levels of education and skills. This problem was particularly significant in the industries where a highly qualified blue-collar workforce was needed (e.g. automobile manufacturing, pharmaceuticals, etc.). When the case companies moved plants, they reported providing additional support and financial incentives to be able to take as many experienced workers as possible with them to the new location, as it would be more difficult and costly to find and train new employees. Such were the experiences of interviewees from AutoCO1 and FMCG1, where it was claimed that the '*policy is to keep people in the company*'¹⁷.

¹⁷ Interviews with IR/HR Director of AutoCO1 and HR Director of FMCG1

Similarly for white-collar, professional and managerial positions, the majority of the cases investigated did not report major difficulties in creating a large candidate pool. They regularly received walk-in and online applications, and stored them in their electronic databases for future reference. Again, their main problem was about finding the 'right' candidates with the required levels of education and skills. For instance, in 2003, Holding1 could hire only 39 appropriate candidates after a rigorous selection process for its very prestigious *management trainee* programme from among an initial pool of more than 5,000 applicants. Finding candidates with the right combination of education, skills and competencies is reported as the most significant problem especially for certain types of jobs. For instance, US MNCs reportedly experienced serious problems in attracting highly qualified people (with university degrees and especially English language skills) into sales jobs as sales is not regarded as prestigious among the highly sought candidates. Such candidates can find 'better' jobs, so they either do not take sales jobs or leave after a short while when a better opportunity arises.

Sectoral factors presented specific problems also for white-collar employees. For instance, in the 'hotelier' sector for managerial positions, one has to start from the lowest level jobs to climb up the career ladder. To become a manager in an international luxury hotel chain, which is at the high end of the hotel industry, one has to have certain qualifications. However many eligible Turkish candidates did not find working in the labour-intensive low level jobs in a hotel (e.g. housekeeping, front office or the restaurant) appealing, even if for a limited time with good prospects to move up quickly. Such an attitude made it considerably more difficult for HotelCO to fill its entry-level positions with highly qualified people who had to match the criteria to be promoted into managerial positions.

Finally, the location of the plant can cause significant problems for filling managerial and white-collar positions. For instance TexCO could not fill the plant HR manager position for a long time as its production facility was located outside Istanbul, requiring either long daily commuting or living in an 'unpopular' area¹⁸.

In summary therefore, US MNCs in Turkey had access to an ELM where *i*) highly-educated highly-skilled workforce is scarce; *ii*) there is a large group of uneducated unskilled workers with high unemployment; *iii*) labour costs are still considerably low particularly in comparison to developed labour markets; *iv*) legislation provides a fairly unconstrained, flexible environment for employers, despite the recent changes in labour law; *v*) employees are traditionally accustomed to and prefer long-term employment opportunities; and *vi*) poaching and job hopping have not been common practices until recently, and except in certain sectors and jobs. Although the TBS does not legally constrain case companies' approaches to employment systems, it does have certain features that influence

¹⁸ Interview with HR Manager and Plant Manager, TexCO

choice of employment systems. In the next section, the reasons for and applications of ILM approaches by the case companies will be discussed.

6.4. EMPLOYMENT SYSTEMS AT US MNCs

6.4.1. ILM ORIENTATION OF US MNCs IN TURKEY

The ILM approach was reportedly by far the first choice for managerial and white-collar technical /specialist positions. When asked about their R&S policies, HR managers at the Turkish subsidiary and regional HQ levels in almost all the studied case companies started by explaining their internal recruitment process and ‘promotion from within’ policy. It appeared that US MNCs in Turkey gave priority to internal sources for white-collar and particularly managerial vacancies, supported by their other corporate HR policies, such as promotion from within, succession planning, early identification and promotion of high potentials, and T&D programmes. Moreover, the ILM was stated to be chosen also for blue-collar employees (operational, in the case of service sector cases), as they desired to retain those carefully selected, in-house trained and developed employees.

The strong ILM orientation in the Turkish subsidiaries is argued to be the combined result of successful transfer of corporate employment approaches and production system strategies from the US and the interaction of constraining as well as supporting factors presented by the Turkish labour market. Despite the growing evidence for the decline in the application of ILM approaches in the US environment, the ILM system was presented by the interviewees at the subsidiary and regional HQ levels as the case companies’ US corporate policy. Case companies’ policies in pay and PMS, aligned to support an ILM approach, were also emphasised as corporate policies transferred to Turkey. Although no fieldwork was attainable at the US corporate HQ due to various constraints (e.g. lack of contacts, financial resources and time), the extent of data collected at the interviews conducted at the regional HQ allowed it to be safely argued that there was a transfer of home-country policy to the Turkish subsidiaries.

The transfer of corporate employment policy to the host-country was necessitated and supported by a number of factors in the host-country business system. Transfer of highly developed production systems together with work organisation (e.g. teamwork) required skilled and experienced labour in the case companies. Given the relative scarcity of skilled and experienced labour in the Turkish labour market, US MNCs needed to retain their corporate ILM approach in Turkey. Recruiting at the bottom levels using sophisticated R&S methods, training in-house for the necessary skills, and moving employees up the career ladder while retaining through highly developed pay, T&D opportunities and career schemes (see Chapter 7) fitted in with their need for predictable and effective resources. By

using these ILM approaches case companies were able to maximise predictability; that is, they were able to plan confidently upon the availability of a qualified labour supply at foreseeable prices. In addition to these constraining host-country factors, the permissive legal environment, low labour costs and cooperative attitudes of employees (and unions) who feared losing their jobs in a labour market where high unemployment prevailed provided supporting conditions that helped maintain an ILM approach in the Turkish subsidiaries. It is therefore argued that the employment policies of US case companies in Turkey were formed as a result of the interaction of sectoral and NBS influences. The next section comprises a detailed discussion of the findings of fieldwork on the employment systems.

6.4.2. INTERACTION OF SECTOR AND NBS EFFECTS AND CHOICE OF EMPLOYMENT SYSTEMS

The core manufacturing cases in this study shared a number of characteristics in their production systems and work organisation. Firstly, except TexCO, all (i.e. AutoCO1, FMCG1, FMCG2, PharmaCO1) had complex, automated, up-to-date manufacturing systems transferred from the US parents. For instance, at AutoCO1, 'USAuto1 Production System' ('USPS') had been transferred for car production, which by definition is one of the most complicated manufacturing systems. Both at FMCG1 and FMCG2, highly automated production systems were built in the new plants. They were both claimed to be among the newest plants of USFMCG1 and USFMCG2 with the latest technology. The main difference between these two plants was in the type and qualifications of the employees working in the production area: at FMCG1 only a few but highly skilled technical blue-collar employees worked in the operations area (the rest were engineers) while at FMCG2 a large number of highly skilled and experienced blue-collar workers ('technicians') were responsible for the whole operation of the system while engineers acted as shift and plant managers. Also at PharmaCO1 the production system was highly automated and quite complex where USHealth's 'Good Manufacturing Principles' and 'Good Laboratory Principles' were applied. Garment manufacturing is one of most simple production systems, therefore at TexCO, there was a simple production system for an uncomplicated product line.

Secondly, again except in TexCO, work group and teamwork organisations were adopted. At AutoCO1, FMCG1, and FMCG2, this work organisation required multi-skilled workers for the multiple tasks that defined job groups. At AutoCO1 for example, they had transformed the traditional assembly line production system into a work group organisation with the transfer of 'USPS' where a work group was defined as '*a small factory unit, in fact a factory in itself, that is responsible for its own production planning, output, quality, scrap, etc and any improvements in these*¹⁹'. This structure needed multi-skilled workers and flexible job descriptions: '*each employee in a work group should be*

¹⁹ Interview with HR/IR Director, AutoCO1

*competent in at least 5 different operations and 5 different employees should be capable of conducting each operation in this work unit*²⁰. Done on parallel lines (i.e. output of one work group was not the input for the next, as in the case of AutoCO1), at FMCG2, competing work teams were responsible for all aspects of production in their own lines, e.g. quality, output levels, scrap, minor maintenance, etc. At FMCG1, application of US parent's corporate-wide broad programmes, e.g. 'Momentum' and 'Starfleet' changed work organisation to team-based. Both in FMCG1 and FMCG2, teams had monthly targets for output, quality, scrap, etc and competed to reach them as well as among themselves to be the 'best team'. At PharmaCO1, although production was still done on the assembly line, multiple skills were needed to apply strict 'Standard Operating Procedures' (SOPs) and total quality requirements in the production processes transferred from USHealth. Moreover, there were various quality circles and cross-functional teams that included both blue- and white-collar workers from different levels who worked to improve processes. Teamwork was also encouraged by linking performance evaluation to successful teamworking results. Teamwork was also tried at TexCO in the 1990s: it was a big project conducted in the European plants and involved an enormous investment. However it did not work, mainly due to cost considerations and the company went back to the traditional garment production system²¹. At TexCO routine simple process manufacturing was used where skill requirements were very low. In short, except in TexCO, complex production systems transferred from US parents and work organisation in the core manufacturing cases dictated a multi-skilled workforce, who would be flexible to conduct various jobs at different times.

Thirdly, quality requirements were strict and very high in every core manufacturing case. At AutoCO1 and TexCO, production was mainly for export. AutoCO1 supplied USAuto1's European markets for small commercial vehicles, while TexCO's production was delivered to various markets in its region through the centralised supply-chain management. At FMCG1, FMCG2 and PharmaCO1, production was for domestic markets. However, quality standards imposed by the US parents' TQM approach were very high. PharmaCO1 had won the highly regarded National TQM award in Turkey in 2003, in addition to many corporate awards it had taken from the USHealth and Holding3. FMCG1, as a part of its TQM approach, to maximise customer satisfaction, had applied the 'Momentum' and 'Starfleet' programmes mentioned above to achieve high quality with a customer and service focus. Quality initiatives at FMCG1 imposed by USFMCG1 were strict: for instance, a team of technicians and engineers had to check the standard of production at the Turkish plant against the 'Golden Product' from the UK, i.e. 'best in class'. FMCG2 had taken ISO certificates and also been given corporate awards by the USFMCG2.

²⁰ Interview with HR/IR Director, AutoCO1

²¹ Interview with IR Director, Regional HQ, USTex

Fourthly, as a continuation of the high production standards set out by the US parents, all core manufacturing cases but TexCO went through rigorous annual audits carried out by large cross-functional teams from corporate HQ of their US parents, in addition to meticulous periodical (monthly, quarterly, semi annually) calculations and reports monitored closely. At AutoCO1, for instance, an international audit team came around March every year, inspecting all the processes in manufacturing and related functions (e.g. T&D, health and safety) in about 4-6 weeks. In all of these cases, rankings on various dimensions of production and processes among the production facilities in the region were done and announced publicly. AutoCO1 for instance proudly advertised its top level ranking for four consecutive years among all European plants of USAuto1. At FMCG1 'Critical Performance Indicators' (CPIs) were reported by all the subsidiaries in the region, which were closely monitored. In the comparisons made and announced by the regional HQ, FMCG1 had received top-level rankings continuously. FMCG2 and PharmaCO1 also reported outstanding rankings achieved in reaching targets assigned by their US parents in various dimensions of manufacturing and quality. Only at TexCO were no such corporate applications reported. In short, achieving highest quality standards in manufacturing was a shared requirement among these cases. US parents imposed and closely monitored the achievement of these standards continuously.

Looking at the above picture, aside from TexCO, these case companies implemented complicated manufacturing systems transferred from their US parents (including the cases of IJVs, i.e. AutoCO1 and PharmaCO1), using workgroup / teamwork organisation, where achieving high quality was among the key objectives. They were also subject to regular and frequent process and quality audits, and rankings by the US parents. To be able to reach their organisational goals of highest quality production under these systems, in some cases for export markets, their primary goal in choosing employment systems for blue-collar workers would inevitably be maximising predictability based on the continuous availability of qualified workforce. To be able to comply with the US parents' (high) corporate standards in complicated production systems, they needed educated and trainable blue-collar workers, if possible with some general skills. They were however constrained by the labour market conditions in Turkey, which is characterised by the scarcity of such labour force. They had therefore adopted industrial or salaried ILM models (or a combination of the two), the latter systems also fulfilling the secondary goal of achieving flexibility in deployment of the labour and of the abilities of the workforce, which was particularly important for the team-based work organisation. Hence it is argued that the employment systems of the case companies reflected the influence of the interaction of sectoral factors, i.e. the nature of the production systems and skill requirements, and the host NBS features, i.e. the availability and cost of such labour in the Turkish market, on the retention and transfer of corporate policies in the USA. In the next section, ILM employment systems adopted in the core manufacturing case companies will be discussed.

6.4.3. ILM MODELS IN THE CORE MANUFACTURING COMPANIES

In the core manufacturing cases, variations of ‘industrial’ and ‘salaried’ (Osterman, 1987) ILM models were adopted. In AutoCO1 a sophisticated example of a unionised industrial system had been applied, which also included some elements of ‘joint team-based’ employment pattern (Katz and Darbshire, 2000). The unionised employment system at AutoCO1 was covered by the industry-level group collective agreements signed between the Turkish Employers’ Association of Metal Industries (MESS), of which AutoCO1 was a member, and the three unions in this sector (Turkish Metalworkers Union, United Metalworkers Union and Steelworkers Union), covering over 100,000 workers. Within this agreement, a ‘contemporary’ job grading and wage increase regulation had been developed (in collaboration with leading academics in engineering) and put into effect in the majority of the member companies from 2002 by the mutual consent of the employers’ association and the labour unions named above. Detailed and clear job definitions and classifications were developed through job evaluations that ‘evaluate the work done but not the worker who performs it’. Jobs in the metalwork sector were analysed, evaluated and graded according to a factor-point system, which was based on different levels of 12 factors under 4 groups (‘competency’, ‘responsibility’, ‘effort’, ‘work conditions’) appropriate for each job. Jobs were classified according to their grade points into 9 groups, where higher points were assigned to higher groups. Wage rules and structures were defined within this job grading system and wages were attached to jobs²².

Narrow job classifications and tight job definitions are argued to be the features of the industrial model that make it inflexible for management in job assignments and definitions, therefore presenting a problem for variable work or when the technology changes (Osterman, 1988). The model applied through the collective agreement in AutoCO1 however seemed to offer much more flexibility than the model theoretically suggests. Firstly, with the clause concerning ‘change of work and workplace’, management was provided flexibility in the deployment of the work force in similar jobs or nearby workplaces of the employer or for temporary changes *without* seeking the consent of the worker. Secondly, the provision in the job grading system concerning ‘the change in the nature of the work’ stated that ‘jobs whose nature changed due to automation, mechanisation, modernisation, technological developments shall be re-analysed, re-defined and re-evaluated’, which solved the problem of tight job definitions presenting problems when the technology changes. Thirdly, provisions on ‘determination and content of the worker’s essential job’ stated that workers could perform more than one job and the content of the essential job was not limited to one kind of work or its definition. It was possible to observe the collaborative attitude of Türk Metal in this collective agreement, in line with the arguments of Chapter 8 on IR on the Turkish unions acting within the

²² Industry-wide Group Collective Agreement, 2002-2004.

‘social responsibility and mutual gains’ framework. Türk Metal seemed to have provided flexibility to the employers by agreeing with these clauses. Considering the provisions of the collective agreement, it can be argued that the unionised industrial model applied in AutoCO1 theoretically granted flexibility both in deployment and dismissals.

In this system the other essential aspect of the industrial model, i.e. employees making their careers in the firm, was also observed. ‘Recruitment, Candidature and Promotion Regulation in Job Grading’ provided strong evidence that external entry to the system happened at only a few entry levels and blue-collar workers pursued their careers in AutoCO1. This regulation specified the rules according to which eligible and successful blue-collar candidates from within should be considered for promotion and nominated by the management as the first choice when a vacant position became available. Therefore current workers were given an implicit job security promise through the promotion from within regulation.

Formal rules concerning dismissals were stated in line with the traditional industrial models. For instance, in ‘mass dismissals’, i.e. in the case of firing more than 10 employees, ‘workers who want to leave the job’ and ‘who are still in the probationary period’ should be given priority; followed by the reverse seniority (‘LIFO’) rule. The collective agreement followed the legislation for re-hires: fired employees should be notified and invited back, if the company rehires within the next 6 months after the mass dismissal. Therefore dismissals were done according to formal rules, and decisions were not left to management’s discretion.

Although in theory the industrial model provides the company flexibility in reducing staffing levels at will when product market conditions change, this was apparently not entirely applicable in the Turkish host environment. There was reportedly an implicit promise for long-term employment in AutoCO1, which is not traditionally found in industrial models of employment. HR/IR Director of AutoCO1 stated that their main objective in staffing was to keep their employees in AutoCO1 and during difficult periods they used various alternative arrangements (e.g. reducing shifts, paid and/or unpaid leaves, transfers to other plants if possible) in collaboration with the union in order not to dismiss any workers or at least to minimise lay-offs. One supporting example given was when they had transferred and relocated some of the workers to other plants, positions and lines of production where available, from a major line of production that was stopped, despite the considerable number of dismissals that had taken place. Moreover, during the complete relocation to the current plant, which had coincided with the worst economic crisis in the Turkish economic history, when all the markets had literally stopped, they had *‘carried about 3-4 times more employees than they should have’*²³. The

²³ Interview with American CFO, AutoCO1

American CFO explained that it was in fact a rational decision so as *‘not to lose all that accumulated experience and knowledge in the company throughout the long years these people had worked at AutoCO1’* although they were aware that *‘it had also made us look like good guys’*.

If evaluated only according to rules of the US business system where pressures to maximise ‘shareholder value’ have created severe cost control imperatives on many companies, this ‘good guy’ approach could have been considered somewhat surprising. However one has to take the conditions in the host environment into account: firstly, labour costs are considerably lower in Turkey, even in the metal industry where wages are significantly higher than in many other sectors. Therefore labour costs still made a manageable portion of total costs. Secondly, AutoCO1 needed these experienced and trained workers as they were difficult to replace within the Turkish labour market. Thirdly, the labour union had apparently been collaborative and provided management with additional flexibility in deployment of workers. Fourthly, and very importantly, AutoCO1 was an IJV, with a long past history with its strong, active Turkish JVP, Holding1. Therefore it was not entirely up to USAuto to make such significant decisions concerning its workforce in AutoCO1. As a distinctive IJV company, AutoCO1 apparently had a unique place among USAuto1’s foreign investments²⁴. The specific organisational features of AutoCO1, i.e. its over 50 years of history and place in the Turkish business environment as an Holding1 affiliate, and the tight local labour market conditions for the required type of employees, provided the additional rationale for the strategy applied at AutoCO1. The adapted version of the industrial ILM model applied in AutoCO1 was aimed at maximising workforce predictability and flexibility given the constraints and supporting features of the TBS. In short, the employment system at AutoCO1 was very similar to the ‘joint team-based’ pattern, which is used widely in the US auto industry (Katz and Darbshire, 2000). The model applied comprised many elements of this pattern, i.e. semi-autonomous teamwork organisation and union and employee involvement in problem-solving and quality improvement, and career development in the company. This employment model used at AutoCO1 was mainly an established Holding1 policy, while it was also in agreement with USAuto1’s corporate policy in the USA. If it had not been acceptable to USAuto1, as an equal-equity JVP, it might have had tried to change it. Expatriate interviewees hinted that the American JVP would and did not interfere with Holding1 policies as long as these were compatible with the US corporate ones and worked well in the Turkish context.

The employment models in the non-unionised manufacturing cases of FMCG1 and FMCG2 were similar to the flexible and fluid systems of ‘salaried’ ILM model, where much broader and flexible job definitions were reported. US parents in these two cases were non-unionist, whose approach included some elements of the ‘welfare capitalism’. In both cases, interviewees at the subsidiary level

²⁴ Interview with various Directors at Regional HQ, USAuto1

emphasised managements' commitment to employment security. No absolute or explicit promises were made by employers, but there was the implicit promise for lifetime or long-term employment in these cases. Interviewees in these cases had stressed that they were able to convince their employees of the 'security pledge', that lay offs either would not occur or the firm would make every reasonable effort to avoid them. Indeed, at both companies, interviewees proudly reported that no layoffs had been experienced during the major economic crises. Both at FMCG1 and FMCG2, managements were against unions in principle with the traditional argument that they wanted to have a direct relationship with their employees without the involvement of a third party, and that they provided better terms and conditions than a union could have negotiated, including job security. During the site visits, safe and clean working environments with additional services (e.g. food, drinks, sports facilities, etc) were observed in these companies. Moreover, direct and continuous communication lines for increased employee involvement were also reported. Finally, the promotion from within policy was constantly mentioned as an essential aspect of the employment systems applied. These were taken as clear indications of the adoption of 'HRM' pattern (Katz and Darbshire, 2000) or the 'salaried' employment subsystem (Osterman, 1987) in FMCG1 and FMCG2.

Adoption of such an employment system for blue-collar workers might be the result of the combined influence of the labour market and sectoral characteristics in the specific sub-sector of FMCG2. Secondary research based on published material on the HRM policies and practices of the other three (non-American) MNCs in this sub-sector that invested in Turkey more recently provided evidence that they too claimed to have adopted a similar high-road ILM approach. They reportedly provided favourable working conditions and pay and benefits, and emphasised a preference for an ILM approach, stating that they recruited only for entry-level jobs from outside.

Although a non-unionised model of ILM system was also adopted, there were certainly differences between the employment system applications for blue-collar labour at PharmaCO1 and the other three manufacturing cases discussed above. There were tighter job definitions, which were in fact a combined output of the comprehensive production system transferred from the USHealth and the classifications developed and used during the unionised periods. Work rules were clearly defined and respective responsibilities were attached to jobs. Despite non-unionisation (see Chapter 8), a high road approach and an implicit job security promise similar to those in FMCG1 and FMCG2, were not emphasised. This can be explained mainly by the high cost-consciousness of USHealth, the American JVP of PharmaCO1. There were obviously significant differences between the two JVPs' objectives in choosing the employment systems. While minimising labour cost in a non-unionised work environment was understood to be the primary goal in the choice of employment system for USHealth, for Holding3, the Turkish JVP, it was maximising the possibility of having the supply of qualified labour in the company to reach the highest quality production in the complicated manufacturing

system. The primary objective of maximising predictability was influenced by various constraints imposed by firstly, the nature of the production system where skill and education level requirements were moderately high, and secondly, by the TBS where scarcity of 'trainable' blue-collar labour prevailed. Moreover, Holding3 was known to be one of the most socially responsible employers in Turkey, whose many manufacturing companies were unionised, good wages were paid and implicit job security and lifetime employment with training opportunities were provided.

Previously Holding3 had accepted the constraining power of the union in PharmaCO1 until the IJV was established, especially in terms of increased labour cost and agreed job security, in return for predictable effective resources. After the IJV was established however, in compliance with the requirements of the new US JVP²⁵, the employment system in PharmaCO1 had been revised from a unionised 'industrial' model to a de-unionised and more flexible 'industrial' model, where secondary employment systems, e.g. contracted blue-collar labour, also started to be used, mainly for cost reduction and de-unionisation purposes. In addition to the various constraints discussed by Osterman (1987), similar to the case in AutoCO1, ownership structure in this case acted as another constraint on the employment system choice in PharmaCO1. Although USHealth could transfer its non-unionisation policy to Turkey, it was not able to impose a 'low wage' pattern, due to the 'strong' local partner who had taken the HRM function in the IJV agreement. The management reduced the number of outsourced workers after a while and improved the employment conditions (e.g. compensation and most benefits, training) of the remaining group to a similar level to those of the permanent employees. Despite the no job security promise, PharmaCO1 did not lay off any workers during the economic crisis either²⁶ but this was more because they did not have to. Considering these features, it is argued that the system in PharmaCO1 was an amalgamation of the 'bureaucratic' (non-union approach with highly formalized procedures, clear and written policies, highly detailed job classifications and job evaluation schemes to determine job duties) and 'HRM' (elaborate employee communication, directed teams, union substitution) patterns (Katz and Darbishire, 2000:10, 21-24).

The last manufacturing company among the main cases of this research, TexCO, did not share the common characteristics of production systems of the other four discussed above. Garment manufacturing is defined as a routine production process where the majority of blue-collar labour consists of unskilled and uneducated workers, particularly women. At TexCO, there were not complicated production systems and teamwork structures with a multi-skilled workforce (although it had been tried unsuccessfully in the European plants), or sophisticated corporate systems of benchmarking and monitoring. Output of the Turkish plant was distributed to USTex's various

²⁵ Interviews with former HR Coordinator Holding3, and HR Manager, PharmaCO1

²⁶ Was explicitly stated in the 'Company Report' for their application to the National Quality Award in Turkey, 2003

markets through the centralised supply chain management, so most of its production was effectively for export. Despite the simple nature of its production system, with low skill requirements where a small number of mostly uncomplicated tasks can be quickly mastered, and the nature of the Turkish labour market, characterised with abundance of unskilled work force, TexCO used unionised industrial employment system to achieve its main employment goal of cost effectiveness.

In line with this objective, TexCO adopted the 'industrial' system, while employment at will by management with no formal job security could be successfully applied within the TBS. In the absence of potential constraints, the low wage employment pattern (Katz and Darbshire, 2000) is widely applied in the Turkish textile manufacturing sector, except in some large, more institutionalised companies. Given the secure cheap supply of low-skilled workforce and very low unionisation, employment at will and low wages continue even in the presence of the new labour law as the majority of employment continues to be unregistered in the many SMEs. However at TexCO, not only was employment comparatively secure through unionisation and group collective agreements but also by the implicit promise of USTex. It was reported by both union officials and company management that no systematic or large-scale lay-offs of blue-collar workers had been experienced over the years. Turnover among plant workers was reported to be negligible. In a traditionally low-road sector, TexCO preferred to stick with a comparatively high-road approach: it apparently provided good working conditions, highly regarded benefits, in addition to punctual wage payments and payments for overtime, which were not common in the sector. Adoption of the industrial system, combined with an implicit promise of job security and a high-road approach particularly in this sector was transferred from USTex and its business philosophy, i.e. the administrative heritage of USTex as a 'socially responsible employer'. USTex plants in the US and Europe had always been unionised²⁷, where 'traditional "New Deal"' model was applied. Turkish labour market features provided additional support for the transfer of US corporate policy. An additional reason for the application of industrial model might be the belief of corporate management that cost effectiveness is not always achieved by choosing the cheapest employment system. Osterman (1987) argues that potential costs due to errors by workers in production might end up outweighing any savings. In fact, the Plant Manager interviewed argued along the same lines, that well-paid employees who felt secure in their jobs were more productive and made fewer errors, and supported his argument that vital errors resulting in significant costs happened very rarely in TexCO.

6.4.4. ILM MODELS IN THE CORE SERVICE COMPANIES

The other core cases in this research, namely HotelCO and FinCO, belong to two different sub-groups of the services sector. Traditionally in the hotel industry, operations are simple, most tasks are clearly

²⁷ Source not cited, not to reveal the identity of USTex

and tightly defined, and ‘employment at will’ prevails. In the banking industry on the other hand operations are complicated, tasks and responsibilities are defined more fluidly, and there are flexible career lines. These two sub-sectors broadly classified within services in fact have completely different operations, hence employment goals and systems. However, a closer look into the HotelCO case revealed more similarities to FinCO’s employment goals and systems, mainly because of its sub-sectoral features.

As a successful member of the few international chains of luxury hotels, HotelCO needed a higher skilled easily trainable workforce for the delivery of standardised top quality service to an ‘exclusive’ clientele in all of its branches around the world. Maximising predictability of the availability of qualified labour, especially in this sub-sector where turnover rates are very high (going up to 40% in Turkey when a new chain opens a branch in the same city) was therefore HotelCO’s main purpose in selecting its employment system. To reach this goal, it adopted a ‘salaried’ model (Osterman, 1987), including most elements of ‘HRM’ pattern (Katz and Darbshire, 2000), which was reported at the regional HQ and subsidiary level as transferred from USHotel. All employees, including those ones in the operations, were potentially offered flexible internal career ladders supported by extensive and continuous T&D activities *‘to keep up with the changing service and quality trends and expectations of our clientele’*²⁸. USHotel invested heavily in developing and applying sophisticated R&S policies, supported by T&D policies for all of its (managerial and non-managerial) employees²⁹. This corporate ILM approach was reported to be transferred to Turkey and additional evidence for heavy involvement of USHotel in various other HRM and related policies was found (see Chapters 7 and 8). Sophisticated R&S tools were used to hire as highly skilled and educated employees as possible. By offering job security, evidenced by reported no lay-offs even during the worst economic crisis times in Turkey (although this might have been because their business was not affected that severely due to the specific clientele group) and using other methods (freezing re-hiring after voluntary turnover, giving paid and unpaid vacations, etc) to keep staffing levels under control, it aimed to achieve greater commitment from its employees, which would help maximise its ability to plan upon the availability of qualified labour to deliver a top quality / high price service without unexpected disruptions.

Application of this corporate policy in the TBS faced the same limitation that most of the other case companies experienced: scarcity of highly qualified labour. In this particular case, the nature of operations was also significant: potential employees did not regard the hotel industry and its traditional career ladder, which begins from the entry levels, very highly. Therefore HotelCO experienced the problem of ‘matching attitude with aptitude’ and attracting highly qualified employees as defined by its corporate policies. Apart from this, HotelCO did not experience major problems in transferring its

²⁸ Interviews with HR Director, HotelCO

²⁹ Interview with HRVP, Regional HQ, HotelCO

corporate ILM policy to Turkey, mainly by offering internal career ladders supported by particularly reputable T&D schemes, job security, combined with good working conditions and continuous and extensive communication channels between management and labour. Cost effectiveness was HotelCO's secondary goal in choosing its employment system, mainly because of its specific sub-sector where serving its 'highly elite' but less price sensitive clientele with the highest quality was more important. It was able to balance the labour costs by keeping its salary scheme below the 3rd quartile of the market and not offering as many benefits as the other case companies in this study (see chapter 8).

While adoption of a 'salaried' or 'HRM' employment system at a hotel might arguably be unlikely in a traditionally low-skill service sector company, it would be more likely at a global, financial institution. At FinCO many elements of the 'salaried' employment model were used for its managerial and specialist white-collar jobs, particularly for those at the HQ. Its policy was to recruit highly educated employees for the bottom level of internal career ladders to maximise predictability of a highly qualified labour supply needed for the sustainability of its complex, high technology and knowledge-based business. At FinCO too this was reported to be a corporate policy transferred to the Turkish subsidiary, which was feasible despite the constraining labour market conditions in Turkey. Although the highly educated and skilled labour (with e.g. foreign language and computing skills) that FinCO needed is scarce in Turkey, banking is very reputable in that labour market segment. Combined with the internationally well-known and highly regarded name, FinCO had a good reputation as a preferred employer in Turkey. Therefore hiring highly qualified people from the small pool of eligible candidates was not a major problem for FinCO.

Once hired, these highly educated people were trained and developed through various T&D programmes (on-the-job, classroom-based through its separate training company, short and long term international assignments and projects, HI-PO programmes, etc.) as the policy was to develop a continuous stream of managers and specialists through in-house T&D schemes³⁰. Individualised career development offered to those eligible was another evidence for the application of 'HRM' employment system (Katz and Darbshire, 2000). This policy was adopted by the US parent to be able ensure not only the highest quality services but also compliance with the strict international and US regulations in the financial sector, which had gained even more significance during the previous decade after the well-known large-scale fraud cases. Internal career ladders and T&D schemes for managerial and specialist jobs were FinCO's most important tools not only to recruit and hire best qualified candidates but also to retain them to reach its employment policy goal of maximising predictability.

³⁰ Interviews with HR Managers and HR Director, FinCO

6.4.5. ILM APPROACH FOR WHITE-COLLAR EMPLOYEES

The ILM approach was clearly indicated as the preferred choice for employment systems for managerial, white collar and specialist / technical jobs in the core cases. The interviewees indicated that it was adopted as a corporate policy transferred from the US parents. Within the framework based on the constraints imposed by the nature of TBS and production systems and sectors discussed above, case companies had the same objective in choosing their employment systems for white-collar and managerial employees, i.e. maximising predictability of effective human resources. However constraints imposed by the Turkish labour market were even more significant for these groups of employees. Highly qualified candidates, e.g. with a degree from a good university, computing skills, and foreign language proficiency, and possessing other competencies the companies looked for, are members of an 'elite' group, who are difficult to attract and retain. Case companies therefore used highly sophisticated R&S methods (see below) to source the entry levels of internal career ladders with the 'right' people who possessed the required qualifications. They moreover invested in highly costly T&D programmes firstly, as advertisement tools to attract, secondly, to develop, and thirdly, to retain these highly valued managerial and white-collar employees. These HRM policies were well aligned with the ILM approach.

Although an ILM approach was identified as the main choice for white-collar and managerial jobs, in some cases, an application of the 'core-periphery' model was observed. As Osterman (1988) argues 'social' technology, i.e. the significance of a particular group of jobs, can be a constraint on the firm's choice of employment system. Central, as opposed to peripheral, tasks are more likely to be entrusted to people 'from inside' who have had extensive company-specific socialisation. For peripheral jobs secondary systems can be adopted, especially for cost reduction purposes. It was evident that similar types of jobs could be considered core or peripheral in different sectors, which imposed constraints on the choice of employment system.

At FinCO for instance direct card sales was accepted as a 'peripheral' job, while at FMCG1, FMCG2, PharmaCO1 and TexCO, similar sales jobs were considered among the 'core' ones. At FinCO outsourcing was used for the card sales jobs, where these employees were not even part of HR management's responsibilities. There was high turnover among this group of mostly part-time employees, as commitment and loyalty are not theoretically expected of such employees. However, in FMCG1, where the majority of staff was employed by distributors, direct sales people who were not on FMCG1's payroll were reported to be regarded among the firm's most important 'frontline' employees. These employees were managed by FMCG1's HR department and it was emphasised that they were treated the same as its own employees in terms of R&S, training, and pay. Similarly at

FMCG2, the sales force, who comprised the largest group of employees, were seen to be among the 'key group' of employees and included in the sophisticated R&S and T&D programmes as well as career management schemes. Likewise at PharmaCO1 sales people were considered as 'core' employees, who in fact needed to be even more qualified than sales people in FMCG1 and FMCG2, because of the type of product and clientele (i.e. medical) they dealt with. To be able to select even better sales people, the HR manager felt the need to improve the selection process by conducting interviews with *all* eligible candidates, without using the initial test results as a screening tool. Sales was the core function for TexCo, as the firm positioned itself essentially as a sales rather than textile manufacturing company. It raised its selection criteria following the organisational restructuring for sales people in the field. They were included in the various HRM policies, and an ILM approach was applied for this or 'key group' of employees in TexCO. As sales were regarded one of the most important functions in these case companies, maximising predictability of a highly qualified sales force was the most significant goal in choosing the employment system.

However, the TBS imposed additional constraints for finding qualified candidates for sales positions, which is argued to be another possible reason for choosing an ILM approach. In the Turkish labour market, potential employees with the necessary qualifications generally do not regard sales positions as prestigious. Therefore the supply of labour is even further constricted for sales, mainly because of its low status. Instead of going into sales, which means '*a tough, tiring job working in the field*'³¹ before starting the managerial career ladder, they prefer such functions as marketing or finance. Therefore case companies experienced a common problem of 'matching attitude with aptitude' when recruiting highly qualified people for their sales positions, which were in fact their 'key group'.

The second common problem faced by all the case companies in sales jobs was high turnover rates, even with a strong ILM approach. There was high demand in the ELM for highly qualified and experienced sales people, whose skills are more generally applicable rather than company-specific. Poaching and job hopping were reported to be highest in sales positions in all the cases. Therefore companies in this research experienced the common problems of, firstly, attracting highly qualified people into sales positions, and secondly, retaining them even with an ILM approach that offered good C&B schemes, T&D and career opportunities in their firms. Secondary research in job adverts (in the HR supplements and web based application sites) given by the case companies revealed, firstly, that this specific group of employees were the ones most likely to be recruited from the ELM, with 'relevant experience' required; secondly, among the qualifications sought, the education criterion had been slightly relaxed, e.g. 'preferably with a university degree' which means candidates with less education, e.g. two years of vocational school or high school education, could also apply. As was

³¹ Interviews with HR Managers in FMCG1, FMCG2, TexCo

admitted by the Sales and Marketing Director of FMCG2, case companies sometimes '*have to be contented with lower qualifications for sales jobs*'. They could not therefore apply a robust promotion from within policy with their sales force, even though they wanted to, because of higher turnover and lower qualifications.

These findings suggest that the ILM approach, which is preferred to deal with the Turkish labour market constraints, was challenged in sales jobs by the local labour market features. An ILM approach adopted to retain scarce skilled labour was not entirely successful in the case of transferable skills, i.e. sales. Nevertheless case companies continued with the ILM approach, to develop even a small core group of sales force and managers.

In summary, in this section it is argued that the core cases had in general adopted an ILM approach in their employment systems for blue- and white-collar and managerial employees, transferred from their corporate policies. This preference was supported by the combined influences imposed by the nature of the Turkish labour market where scarcity of skilled and experienced labour prevails, and the operations system requirements of the cases for such labour. Comparatively lower labour costs, higher flexibility of industrial systems in the unionised cases through the cooperative attitude of unions, and adaptability to technology changes more quickly through work group structures were among the most important reasons that made the ILM approach easily applicable in Turkey. With the available data therefore it was argued that corporate employment systems were transferred to the Turkish subsidiaries, also because they fitted with their production system strategies transferred from the USA and they were able to pursue ILM as the TBS imposed few constraints on doing so.

As complementary policies to the ILM employment systems, case companies used sophisticated and costly R&S methods to find and hire highly qualified employees with little or no experience at the few entry-level points. Following the promotion from within policy, these employees were trained and developed, and offered career opportunities, which were used as retention tools. These parallel policies and applications are discussed briefly in the last section of this chapter.

6.5. COMPLEMENTARY POLICIES FOR ILM APPROACH: COMBINED USE OF LOCAL AND CORPORATE METHODS FOR RECRUITMENT AND SELECTION

6.5.1 RECRUITMENT TOOLS USED: COMBINING LOCAL AND IMPORTED

When case companies recruited from the ELM, whether as the result of an expansion of operations (e.g. AutoCO1, FinCO, HotelCO, FMCG3), seasonal or project-based needs (e.g. AutoCO2, HotelCO, DefCO) or the need for regular new in-takes (e.g. TAC1, TAC2), they preferred to hire inexperienced

employees at the few entry-level ports. They hired experienced, higher level managers or professionals (e.g. legal counsellors, bio-chemists, PR managers, etc.) from the external market only when there was not an appropriate candidate from inside (the Turkish company or other subsidiaries). The most outstanding exception was TexCO, which had reportedly traditionally adopted an ILM approach as a corporate policy: it hired almost all of its current managers from the ELM as a part of the restructuring process at this stage in USTex's corporate life, in an effort 'to bring in new blood' to resolve the crisis it went through during mid-1990s.

Informal and low-cost recruitment methods (word of mouth, personal networks and recommendations by employees, walk-in applications) were widely used by the US MNCs for both blue- and white-collar employees, which was in line with the most commonly used local recruitment channels in Turkey (Arthur Andersen, 2001). They also used formal, sophisticated high-cost channels (educational institutions, web-based recruitment, agencies and 'head-hunters') for managerial and white-collar positions, which suggested that they used a balanced approach between adopting local practices and transferring corporate applications. Local subsidiary managements were observed to be given some flexibility by the corporate management in using the local tools but for use in combination with other standardised recruitment methods and particularly selection processes developed at and transferred from (regional or corporate) HQ. As the TBS did not impose any legal constraints on the R&S methods used, the most important consideration in the combined use of local and corporate methods was the effectiveness of the methods in reaching the best candidates, in scarce supply in the Turkish labour market.

For instance, sophisticated use of IT systems, e.g. web-based recruitment through online application centres, could be argued not to be the most effective method for reaching a large number of candidates, given the small number of computer and Internet users in Turkey. However, it was this small target group they aimed to reach: highly educated and skilled professional and managerial candidates, with relevant experience, or new graduates and university students. Likewise, direct recruitment from educational institutions, mainly the 'best' universities, was used to reach the brightest of fresh graduates selected for entry-level managerial and specialist positions for a long-term employment relationship. Sector was an important factor in the use of this channel: for knowledge-based services (i.e. auditing, banking, IT) and marketing oriented (e.g. FMCG) companies, graduate recruitment was the most important channel for inexperienced entry-level especially managerial employees for positions that mainly required the appropriate educational background and certain competencies. Also significant were the company characteristics: large Turkish Holding companies recruited widely using this 'prestigious' channel and participated in educational collaborations. Holdings brought along their flagship companies to the universities, some of which were among the case companies of this research, e.g. AutoCO1 and PharmaCO1. In these IJV instances, the Turkish

Holding affiliation was mostly even more important than the company name or the US corporate affiliation. A strong emphasis on the Turkish Holding affiliation was not observed only in one case, FMCG2, which was presented strongly as a 'multinational' company, (rather than even 'American') while mentioning its Holding2 affiliation only in passing. The most significant reason for this is argued to lie in its ownership structure and strength of Holding2 as a JVP. Holding2 had a minority share and did not participate in management at FMCG2 at all. Holding2 was a weak JVP and had accepted its role in FMCG2 accordingly. Turkish and foreign managers at FMCG2 did not consider themselves as a Holding2 company while Holding2 did not regard FMCG2 as one of its 'own' companies either³².

Another significant factor for the case companies in deciding which recruitment tools to use was cost. TexCO for instance did not use universities or web-based recruitment mainly because it did not have the necessary funds³³. Obviously also important was need: as many case companies did not hire in large numbers at the time of the fieldwork but did so only occasionally when a position needed an outside candidate, they found it not worth investing in these expensive recruitment methods. Therefore the use of recruitment tools differed slightly according to company characteristics, i.e. size and growth, availability of funds. There were not any significant differences in the methods used according to ownership structure, therefore similar methods were adopted in WOS and IJVs where Turkish JVPs were responsible for HRM.

One potentially troubling issue about the use of informal low-cost local channels is 'nepotism' and violation of equal employment opportunities. There has been a strong tradition in Turkey of nepotism (more in the public than in the private sector), which is described as using one's network to obtain advantages for one's family, close relatives and relations, without looking at eligibility or qualifications. Such nepotism is almost the rule rather than the exception in many areas of the public sector, including employment, where people are employed not for what they are but who they know. In the case companies, however, it was strongly emphasised that the informal recruitment channels were used simply to create a larger pool of best-qualified and eligible candidates quickly and at a low cost. All the candidates then had to go through the same rigorous selection processes. The following quotation by AutoCO1's HR/IR Director summarised the common emphasis made in the case companies: *'Our selection criteria are set and not changed according to candidates'*. Adoption of local recruitment mechanisms was possibly allowed by US corporate managements only to be used in conjunction with the sophisticated and systematic recruitment and especially selection methods. They might not have considered the adoption of local systems as a problem as long as the selection

³² Interviews with HR Manager, FMCG2, and HR Coordinator, Holding2

³³ Interview with HR Manager, TexCO

processes that followed ascertained that the best candidates were chosen for their work-related merits, not for their personal connections.

In summary, ELM was used by the case companies to recruit mostly inexperienced entry-level white-collar and managerial employees as well as blue-collar workers. Hybridisation of the formal sophistication of US parents with the informal, ad hoc mechanisms used in the TBS was observed in the American MNCs. The most appropriate system for the targeted group within the labour market conditions of Turkey was adopted. The mixture of channels used to recruit from external markets indicates that, firstly, US MNCs adopted local practices as long as they did not clash with their other HR policies (e.g. no discrimination or favouritism) and provided an efficient and effective strategy to reach the target candidates. Secondly, they also transferred corporate tools if these proved beneficial in the Turkish labour environment. Thirdly, given the labour market characteristics and infrastructure, the host country business system did not limit the use of various local, informal and low-cost, recruitment methods in combination with more sophisticated, expensive and 'prestigious' ones for reaching the right employees needed within the ILM approaches of the cases. Lastly, no significant differences were found between the methods adopted by WOS and IJVs, namely AutoCO1 and PharmaCO1, where Turkish JVPs managed HR.

6.5.2. *SOPHISTICATED SELECTION STRATEGIES*

Long and complex procedures were used in all of the case companies for selecting white-collar and managerial employees, and also for blue-collar employees in some (e.g. AutoCO1, FMCG2, PharmaCO1). Sophisticated selection methods were adopted mainly to choose the best available employees from the rather limited candidate pools. This was important particularly for the ILM approach where the employment relationship was theoretically long-term. The processes, which were almost identical across the cases, began with initial screening done on forms, using some standard 'objective' criteria, e.g. educational background and experience (if relevant), which was aimed at selecting the best available candidates from the applicant pool. Tests (cognitive and analytical, numerical and verbal aptitude, personality tests, e.g. 'Occupational Personality Inventory', etc.) were used for second-level screening after which preliminary interviews usually by the HR department were conducted for managerial and white collar jobs. Eligible candidates were further interviewed by line managers from the relevant department. A short-list of successful candidates went through panel interviews where line managers were involved. For higher level jobs, interviews with top level management in Turkey and at the regional HQ were also conducted, if deemed necessary (e.g. interviewees such as GM at TexCO, HR Director at FMCG2 and HR Manager at FinCO could cite their own experiences when they had gone through this process themselves when recruited from outside). In some cases, e.g. FMCG2, TAC1, assessment centres were used.

Assessment centres and various tests were used also for blue collar / operational jobs in the majority of the cases where they needed highly qualified candidates (e.g. AutoCO1, FMCG2, PharmaCO1, HotelCO). At AutoCO1, for instance, they administered specially developed tests, e.g. *'psycho-technical', 'on-the-job', 'for specific departments and for general use'*³⁴. At FMCG2, as the first step, they applied four different tests, i.e. written, arithmetic, mechanic, trouble shooting, to identify the skills necessary for various manufacturing jobs (e.g. operator, maintenance, etc)³⁵. The comprehensive selection methods used were transferred from the US parent companies, developed either at corporate or regional HQ and distributed from there to sub-regions and subsidiaries, except in the two IJV cases, i.e. AutoCO1 and partly in PharmaCO1, where HRM was aligned with that of the Turkish JVPs. Methods used in these companies were no less complicated than in the others; in fact, there were very similar applications, only they were not transferred from the American JVPs but developed in Turkey at the IJV subsidiary or the Turkish JVPs. Additionally, at PharmaCO1, which had a somewhat closer though informal relationship with USHealth's HR organisation, some methods learnt at the 'Global HR Conference' or through the Intranet and corporate newsletters of the latter were transferred and adopted by the HR Director, mainly as a result of her personal interest in developing better systems³⁶. Use of such sophisticated selection methods in the Turkish environment was not limited by legal or other constraints. The case companies were therefore able to adopt and use any methods to select the best available candidates.

In addition to the screening criteria listed above, case companies had two common criteria for selecting their entry-level managerial, white-collar and sales employees: a university degree from one of the 'best' universities in Turkey and proficiency in English. Although candidates with these qualifications were scarce and more difficult to find, they needed to adopt lower criteria only because of sectoral and job type constraints. Sectoral influences could be observed at HotelCO, for instance, where the education criterion had to be lowered, from 4-year university to 2-year hotel and tourism management vocational (university) schools³⁷. But this was not entirely a local adaptation of the corporate policy; the company had the same (i.e. lower) qualifications accepted in other countries as well. But for its global 'corporate trainee' programme candidates, corporate policy required a university degree and was applied strictly in Turkey. Job types, combined with the Turkish labour market conditions, were also influential: for sales jobs the same criteria as for managerial jobs were required at FMCG1, FMCG2, PharmaCO1, and TexCO but they were not always able to match their

³⁴ Interviews with HR/IR Director and HR Manager, AutoCO1

³⁵ Interviews with HR Manager, Plant HR Manager, Shift Manager, FMCG2

³⁶ Interviews with HR Director and HR Manager, PharmaCO1

³⁷ These can be considered equivalent of former polytechnics in the UK

criteria with the qualifications of the applicants. So they occasionally had to lower the criteria, to e.g. vocational high school compensated by *'successful experience in the field'*³⁸.

Competency-based selection started to be widely implemented by the majority of the case firms, except at FinCO, for their white-collar and managerial employees. US MNCs were apparently among the first companies in Turkey to apply this selection method, transferred from their American parents. At the IJVs AutoCO1 and PharmaCO1 very similar systems based on competencies were also adopted, developed at the respective Holding HR Coordination units, by involving all the (major) affiliate companies and acquiring consultancy from well-known American companies. At PharmaCO1, nine core competencies were developed in 1997, long before any other company used competency-based methods, as a pilot company (together with two other affiliates) initiated by the HR Coordinator at Holding3, with the involvement of PharmaCO1 top management and an American consultant firm. Holding3 had subsequently spread the use of this competency-based system to all of its affiliates. Competency-based systems had been developed at Holding1 of AutoCO1 with a very similar approach (e.g. with contributions from other major Turkish Holdings and foreign companies, consultancy from a veteran Turkish manager retired from a leading MNC's Turkish subsidiary, and participation of affiliates' top-level and HR managements), only more recently. Development and adoption of competency-based selection systems were considered as further supporting evidence for the leading position of Turkish Holding companies in following the global trends and bringing new HR systems to Turkey.

In addition to common qualifications sought and competency-based methods used, candidates' 'suitability to our company culture' was emphasised as another criterion required. In all the cases, it was claimed that there was a distinct company culture and that it was very important that the candidate fit into this culture. Training and 'moulding' employees within this 'particular' organisational culture right from the beginning was cited as one of the most important reasons for selecting inexperienced, fresh graduates for entry-level managerial as well as technical positions:

"People who come to FinCO from another, say Turkish bank, or like myself from another American firm in a different sector find it extremely difficult to adapt to this organisation's unique culture"³⁹.

Organisational culture in most cases, e.g. FMCG1, FMCG2, TexCO, HotelCO, FinCO, was argued by the interviewees to be most similar to the US parents' corporate culture, influenced less by the Turkish business environment or the Turkish JVP's corporate culture in the case of FMCG2. At the two IJVs where Turkish JVPs were strong and active in management, it was different. While at PharmaCO1 the influence of the host- and home-country parents on the culture and identity of the company was not

³⁸ Interviews with HR and Sales Managers/Directors at FMCG1, FMCG2, PharmaCO1, TexCO; job adverts

³⁹ HR Manager, FinCO

particularly emphasised, it was evident that Holding3 left its imprint more strongly. At AutoCO1 an individual company culture had been developed throughout its nearly 50 years of unique history, which was different from that of either of its JV parents: *"I am not Holding1, I am not USAuto1. I am AutoCO1"*.⁴⁰ The distinctiveness of AutoCO1's position and company culture was supported by the interviews particularly at the regional HQ of USAuto1. Suitability and adaptability to these all 'specific' firm cultures was found to be essential for the long-term employment relationship suggested by the applied ILM policies in the case companies:

"We offer careers, not jobs, to our employees; therefore they need to be suitable to this company's culture for a long-term employment relationship."⁴¹

To summarise, firstly, when recruiting managerial candidates from the ELM, case companies report few significant constraints in administering the sophisticated selection methods using specific criteria and competencies transferred from their US parents, except the scarcity of eligible candidates. For managerial and white-collar technical / specialist jobs, good theoretical education in especially the 'elite universities' of Turkey produces competent graduates, the best of whom American (and other foreign-capital) companies were able to attract, particularly by using their reputable company names, competitive pay and performance management systems, systematic T&D and career opportunities. Moreover, for blue-collar employees, where technical education and 'trainability' were most important, case companies did not state any problems in using the selection methods and criteria, while most of them were also developed by and transferred from parent companies. Thirdly, selection processes and methods adopted by IJVs where Turkish parents managed HRM were found to be very similar to those of the WOS. Fourthly, a combination of sectoral, company and job type characteristics resulted in some relaxation of qualifications required within the TBS.

6.6. RETENTION: CHALLENGES AND SOLUTIONS

Given the scarcity of professional and managerial employees with transferable skills, an important underlying question is the extensiveness of job-hopping and poaching. Part of the answer to how the case companies dealt with retention problems and the extent ILM strategy worked in practice lies in the development opportunities provided. T&D and career opportunities were used as important retention (as well as recruitment) tools particularly for managerial and white-collar employees in the case companies. For instance, at FMCG2, it was argued that:

"In order to retain people in the company, you have to provide them with development opportunities. The feeling of 'I'm developing in this company' is a very important retention tool, together with a good working environment and competitive C&B levels as

⁴⁰ Interview with HR/IR Director, AutoCO1

⁴¹ Interview with HR Director, HotelCO

well as prospects of a career. It's important to be as transparent as you can in telling an employee about the possible career opportunities waiting for him/her in this company."⁴²

At FinCO, similarly, T&D opportunities (e.g. '*FinCO is an excellent banking school in Turkey*'⁴³), opportunity to work in a competitive and challenging environment where successful performance was assessed, recognised and rewarded through established systems, international career possibilities, along with competitive C&B packages, were emphasised as important tools to attract and retain highly qualified employees in Turkey. HotelCO based its policy of attracting and retaining good employees entirely on good T&D and career opportunities, without aiming to provide too competitive a C&B package. In general, US MNCs studied in this research invested considerable time and financial resources in transferring and applying development and career opportunities, which is aligned with their ILM policies, as the theory suggests.

Poaching of highly qualified managerial and white-collar (especially sales) employees by other (not necessarily direct competitor) companies in the market was apparently a problem experienced by some case companies. FMCG2, TexCO, FinCO and HotelCO specifically mentioned retention problems despite providing development opportunities, and, except at HotelCO, competitive C&B packages. The main reason laid in the limited career opportunities they could provide in Turkey, as these US MNCs usually were not very large, had not been growing and had in general flat organisational structures. A good example was TexCO, which could not offer internal career ladders within its flat and small organisation, or extensive training schemes because of financial resources available for T&D after the corporate-wide restructuring. At this stage of USTex's life cycle, firstly, cost effectiveness and, secondly, flexibility in deployment and abilities of its managerial employees were the most significant employment system objectives. Within the salaried ILM approach, TexCO utilised horizontal moves as a means of developing its managers cross-functionally, which served as a retention tool as well. As an example, the HR manager who had explained these was transferred to the Sales department in a horizontal move during the fieldwork.

At HotelCO, the General Manager complained about the problems experienced as a result of their recruitment strategy:

"We recruit too good staff and we cannot look after them and that's a problem in our industry, if you don't have a consistency of growth and you cannot promote people, like in Turkey, where most of our hoteliers are university graduates. So six months, eight months and they come knocking on my door, saying what are you doing here? And they're right. That's the downside. Once you recruit too good people, we cannot retain them too long. We cannot promote them because pyramid gets very small very fast."

⁴² Interview with HR Manager, FMCG2

⁴³ Interviews with HR Managers, FinCO

New investments in the sector might present another challenge, as had been the case for FMCG2, when major international players had recently made considerable investment in its specific sub-industry. Some interviewees in FMCG2 argued that some of their highly qualified and experienced managerial and sales employees accepted to move to the new companies not for better C&B but for promotional job opportunities, which they could not be offered in FMCG2 due to size and organisational structure⁴⁴. FinCO lost some of its highly developed managerial staff to other banks in the sector, during the period when banking was growing but FinCO was not making additional investment in Turkey: “*People left when they could find a promotion opportunity with a similar C&B package*”⁴⁵. Therefore sectoral influences as well as company-level issues were evident in retention challenges experienced by the cases.

They dealt with the poaching and job-hopping by offering T&D within a challenging and competitive work environment for all, in addition to career opportunities for a limited number of ‘talented’ managerial and white-collar employees. At FinCO, continuous and constructive feedback mechanism, established formally as part of the PE, ‘performance-driven company culture’ and especially international on-the-job and off-the-job T&D opportunities were cited as important tools for the retention of especially ‘talented’ people⁴⁶. Likewise at FMCG2,

“We call it [*the Performance Management System*] ‘Advancement Planning’ because we provide opportunities for our employees who have a potential to advance. It also provides T&D opportunities, on-the-job, in international assignments, or through courses.”

While the case companies could not provide career advancement opportunities for every talented manager, they used different T&D tools to keep them. At TexCO for instance they used rotation between different departments, e.g. horizontal moves, and cross-functional development opportunities to retain those employees whom they could not promote to higher levels. Similarly, at HotelCO, they gave employees additional responsibilities at the local subsidiary or sub-regional level. For instance, the HR director was also the Area Director to whom eight other HR Directors within the sub-region reported, and T&D manager had been assigned to delivering training in various hotels in the sub-region.

As a result, a strong emphasis on the developmental and career opportunities particularly for managerial and white-collar employees could be observed in the US MNCs. This was the complementary answer to the challenges presented to the adopted ILM approaches by local labour market conditions and company structures. To be able to keep the carefully selected highly educated

⁴⁴ Interviews with HR Manager, Plant HR Manager, Sales Director, FMCG2

⁴⁵ Interview with HR Manager, FinCO

⁴⁶ Interviews with HR Director, HR Managers, Regional HR VP, FinCO

and skilled employees from amongst scarce candidates in their comparatively small and flat organisations, they relied upon developmental and career management policies, when they could not compete on above-average C&B packages alone. Especially in certain industries such as FMCG, banking, hotel, where foreign investment flowed in, existing as well as newcomer firms were inclined to poach qualified and well-trained people. Although similar problems might have been faced in these companies' US operations as a result of downsizing and delayering, there was not sufficient data collected to claim that these policies adopted in Turkey were in fact transferred from US corporate parents.

6.7. CONCLUSION

In this chapter, employment systems adopted by the US MNCs studied in Turkey have been discussed. Taken as a whole, it was found that policies and applications used were a combined result of US corporate policies and influences of the host-country labour market conditions, where industry requirements and company characteristics (ownership structure, global restructuring, size and structure, etc.) were also important. It was found that, firstly, all the case companies had a strong ILM approach for all groups of employees (managerial, white-collar, blue-collar and sales) where salaried and industrial models were used. Similar findings were reported by Butler *et al.* (2006) for continued internal managerial careers in the US MNCs operating in four European countries, although market conditions influenced the operation of ILMs. The adoption of an ILM approach in the Turkish subsidiaries was therefore explained as a result of fit between firstly the companies' corporate policies at home, secondly their goals in employment, i.e. predictability of a continued source of highly qualified employees, needed for their complex operations systems and high quality production standards transferred from US parents, and thirdly, organisational structures (e.g. teamworking) that needed flexible deployment of labour with more skills. There was consistent evidence collected at various levels that US corporate policy on ILM employment systems was transferred to the Turkish subsidiaries. However, influences of other factors at all levels of the research framework (i.e. host country labour market constraints, production systems and work organisation) were also influential. However, single country research design does not make it possible to distinguish the influences of host and home countries more definitively. If MNCs from another home-country were included, it would have been possible to identify with a greater degree of certainty the causal links between the influential factors and the labour market approaches used.

To transfer the ILM approach despite the constraints presented by the tight Turkish labour market, case companies used a balanced combination of local (informal and low-cost) and sophisticated (high-tech, more expensive, corporate) recruitment tools. To choose the best candidates from the scarce educated and skilled labour pool, they transferred sophisticated selection methods developed at the

corporate level. Thus the combination of recruitment tools and selection processes used reflected the companies' needs to apply the ILM approach in the TBS. Although the nature of the labour market presented constraints in the application of ILM strategy, the TBS also provided opportunities for its implementation through the comparably lower cost of labour, the collaborative attitude of trade unions and permissive legislation.

Retention of highly sought employees, particularly in certain sectors and job types, though not a major problem during economic crises, became a major issue when investment flows provided career opportunities in other organisations with comparable C&B packages. While case companies could not always provide many career and promotion opportunities because of flat and non-growing organisations, extensive T&D possibilities for all, combined with career opportunities for some, were used for retention.

In the IJVs where Turkish JVPs managed HR, no significant differences in employment policies and their application were observed, even though these were developed by the subsidiary or the Turkish JVP Holding. Similarities can be explained, firstly, by the production systems transferred from the US JVPs, which necessitated certain qualifications in the blue-collar/operations employees. Secondly, Turkish JVPs that were among the leading organisations of Turkey managed by highly qualified management teams seemed to have followed developments and 'trends' in HRM and updated their systems accordingly, sometimes by using US consultancies, while making use of their JVPs' know-how. 'Pull' effects and trickle-up trajectories were therefore observed in the transfer and adoption of sophisticated American HRM policies and practices. Employment systems, R&S methods and retention policies and tools employed in the case companies ended up being very similar, whether developed by Turkish or US JVPs.

CHAPTER 7. PAY AND PERFORMANCE MANAGEMENT SYSTEMS

INTRODUCTION

Pay and performance management systems (PMS) are recognised as among the most significant functions in HRM. On the one hand, compensation and benefits (C&B) lie at the core of the employment relationship, to attract and retain qualified employees. Performance management (PM) on the other hand is used to measure and monitor performance in terms of reaching the organisational goals, by providing feedback, plans and rewards to enhance performance. Additionally, decisions on promotions or redundancy can be based on PM. Remuneration and PMS are therefore central to many management goals, including increasing performance and keeping employees motivated.

In addition to their absolute importance, transfer and application of pay and PM systems by US MNCs in Turkish subsidiaries is of particular interest. American companies are known to be 'innovative' in developing pay and performance management systems within their unregulated home business environment where individualistic work values prevail (see Chapter 5). Various forms of pay policies, e.g. Ford's 'efficiency wage', gain- and profit-sharing, 'broadbanding', developed in the US have spread to and received interest in other developed economies. US MNCs have been instrumental in the dissemination of these policies and methods, as they tend to transfer their HRM systems to their overseas affiliates. Björkman and Furu (2000) for instance found US MNCs to be more likely to use a variable pay mix in their top management reward structure. 'Exporters' of their highly centralised and formalised policies in other countries, 'innovator' US firms are in general argued to pursue a 'one world, one strategy' approach (Bloom, Milkovich and Mitra, 2003:1355). In the UK, for instance, Fawley Productivity Agreements (Flanders, 1964) marked the establishment of performance-related pay at the beginning of the 1960s where the management agreed a 'productivity package deal' with the union to increase efficient utilisation of labour. More recently, Almond *et al.* (2006a) found that US MNCs challenged the host-country employment systems particularly by the introduction of pay for performance and forced rankings within the PMS, which link individual performance to employment security and pay.

Although US MNCs might have to tailor their pay systems to conform to local tax and labour regulations in tighter environments, as 'exporters' of their home-grown policies, they are found to resist strongly, trying various methods to replicate the home-country systems (Bloom *et al.*, 2003). Nevertheless, there is also evidence of US MNCs having to adapt their pay and PM policies to some extent to local hosts. In the case of GM, for instance, variations were found in the introduction of 'pay-for-knowledge' wage systems at the Austrian and German subsidiaries, as the tighter external union coordination of wage determination in the latter resulted in a strong opposition to individual-

based payment systems in teamwork structures (Shire, 1994). Almond *et al.* (2006a) also found variations in pay and PM systems across the European subsidiaries of US MNCs depending on the nature of specific sectoral or occupational labour markets, as well as unionisation and the limiting power of collective bargaining in the subsidiaries.

While 'traditional' workforce management in the USA, which has its roots in the scientific management of Frederic Taylor, focuses on controlling employee behaviour strictly through standards and measures in output, it ignores the significance of attitudes and values, to establish order, exercise control, and achieve efficiency (Walton, 1985). The more recent 'commitment' approach advocated by Walton (1985) involves broader jobs that include increasing responsibility, team structures, and some elements of ILM approaches, e.g. assurance of job security, priority given to training and retraining, increased employee participation. In the 'commitment' strategy therefore coordination and control are based on more shared goals, values and traditions (Walton, 1985:81), and compensation policies reflect an emphasis on group achievements, e.g. gainsharing and profit sharing. Individual pay is linked to skills and expertise, rather than only job evaluation. More recently, in an overview of the 'high performance' paradigm, Godard and Delaney (2000) define Walton's 'commitment' model as a more cooperative and participatory model. It has a more participative, developmental approach also towards PM, giving employees a voice in the PE process. In application, the 'high performance' model links PM to T&D and career and succession management for a longer employment in the firm. This 'high road' approach to PM combines control with commitment and involves many elements of an ILM employment system.

Given the importance of pay and PM systems in general and their comparative significance for US MNCs, investigating the policies and practices of American cases in Turkey is useful for gaining a better understanding of the transferability and application of distinctive US systems in another business environment. More specifically, this chapter intends to consider the following questions:

1. Were US MNCs innovators in Turkey in PM and C&B systems? To what extent did they transfer their corporate policies and practices to the Turkish subsidiaries?
2. To what degree were their policies and practices shaped by the TBS?

In the first part of this chapter, features of the TBS that influence the application of pay and PM systems of American MNCs are examined. In the next two parts, reward and PM systems of the case companies are discussed in detail, in an effort to answer the questions posed above. It is argued that, firstly, case companies in general had PMS, transferred from corporate HQ, that were highly sophisticated, particularly for Turkey, and that were linked to pay, T&D and promotions. Secondly, they did not experience any major legal obstacles or constraints imposed by unions in the transfer and application of corporate reward and PM policies to the Turkish subsidiaries. However labour market

characteristics discussed in Chapter 6, together with other TBS elements presented below, clearly manifested significant influence on shaping particularly reward strategies. PMS approaches adopted were aimed at increasing commitment, in congruence with the ILM approaches used (see Chapter 6). Thirdly, pay and PM systems were highly centralised and standardised by the US parents. Home-country influences were evident in the closely controlled systems, where only limited flexibility was granted to the subsidiary management, e.g. PMS had to be applied above a certain organisational level, but below that management could decide whether or not to apply the same system. Fourthly, there were not significant differences between the systems and control imposed by US or Turkish parents in WOS or IJVs where Turkish JVPs were in charge of HRM.

7.2. HOST-COUNTRY FACTORS INFLUENCING PAY AND PM SYSTEMS OF AMERICAN MNCs

In Turkey performance evaluation (PE) and performance-related pay (PRP) are fairly recent issues. There is no PE or PRP in the public sector, except some primitive tools that have been put into effect in e.g. health services where bonuses are paid to all staff from a pool of earned income. In general, the white-collar and professional workforce in the public sector receive seniority-based, automatic promotions and salaries linked to positions and job grades. Annual pay rises are decided by the government at the beginning of each year and the same rate is given to everyone, sometimes with exceptions for a certain group e.g. judges or academic staff. Unionised blue-collar workers in the public sector are covered by industry-wide collective bargaining.

In the private sector, PE and related reward systems particularly for managerial and white-collar employees have been developed more recently in response to increased competition both domestically and internationally. According to a survey by Arthur Andersen among private (mostly large) companies from various sectors in 1999, 78% of respondent companies had a formal PE system. Individual PE, found in 70% of companies, was characterised as a top-down process with supervisors evaluating the performance of their subordinates. Although Turkey is classified among the ‘collectivistic’ nations by culturalist studies (e.g. Hofstede, 1980), PE is not reported to create any problems in terms of loss of face or competition among the group. Although evidence was not formally collected in this study, brief informal encounters with lower level managers, as employees themselves, and with a few white-collar employees, revealed that employees find it necessary to *‘distinguish between good [performance] and bad [performance]’*⁴⁷ and would like to see that their good / better performance makes a difference. Especially among the younger generation, individualism in the upper socio-economic status groups in urban areas is found to be increasing

⁴⁷ Informal interview with an entry-level manager at FMCG2

(Kağıtçıbaşı, 1996; İmamoğlu and Karakitapoğlu-Aygün, 2004). Managerial and white-collar employees of large, especially American and other foreign companies mostly come from this group. This more 'individualistic' inclination helps make PE and PRP more desirable, hence easier to establish in Turkey in such organisations as US MNCs where 'competition' is usually a part of the organisational culture.

The Andersen survey (1999) showed that in more than half the respondent companies a percentage of pay rises was decided in relation to performance. However these percentage increases linked to the results of the PE system have generally been perceived as 'negligible' until recently, given the periods of hyper-inflation in Turkey: inflation ran at an average of 65% p.a. between 1980-2001, with a peak at 124% in 1994 and the 'lowest' at 22% in 1982. The following comment was fairly standard across the cases:

"Our American parents don't understand us; we always had a hard time trying to explain to them about pay rises to cover too high inflation. They find it very difficult to comprehend why we have to make a second, mid-year pay adjustment, to cover the losses in real wages because of high inflation."⁴⁸

Annual pay rise schemes in the case companies had to be adapted to Turkish economic conditions, to adjust for inflation in order to protect real wages in addition to linking performance to pay. With the drastically reduced inflation rate, around 10% in 2005, performance-related pay rises have started to be perceived as more 'meaningful'. Until recently, PRP in Turkey more generally meant premiums and bonuses especially for senior managers and sales personnel.

As far as the legislative environment is concerned, there are not any restrictions on the choice of remuneration systems for any companies in Turkey, including foreign ones. All companies established in Turkey, whether with foreign or domestic capital, and all employees working in those companies, Turkish or other nationalities, are regarded as legally the same. There are a few significant issues that affect the cost of labour and C&B practices in *all* companies in Turkey, namely, the obligatory national social security through the Social Security Institution and minimum wage requirements.

The Social Security Institution (SSK) is the government organisation that provides retirement (lump sum and monthly pension) and health benefits for private sector workers. It is legally required to 'register' all employees with SSK, although so-called 'illegal', i.e. unregistered, employment is widespread among SMEs and can be found even in large firms. The cost of labour for employers increases by around 19% of the gross salary/wages paid as SSK premiums. However, unregistered workers are not entitled to any health and retirement benefits, and cannot claim redundancy payments.

⁴⁸ Interview with HR Manager, FMCG2

Unionisation eliminates this problem, as unions do not allow any unregistered workers on site. The law is not strictly enforced, as the government turns a blind eye to this situation, in order not to reduce the employment provided 'illegally'.

Many of the interviewees in this research emphasised that their companies carefully and consciously stayed away from this or any other kind of unlawful behaviour on labour issues in Turkey, even if it would have yielded cost reductions. It was claimed that they were not involved in illegal practices such as employing unregistered labour, not paying wages on time, paying salaries partly 'in envelopes' and registering highly paid employees at lower pay rates so as to reduce social security payments, dismissals without redundancy payments, etc., despite the loose enforcement of the law in Turkey. It was not among the main goals of this research to find whether or not such illegal practices were indeed used by US MNCs, and necessary techniques that would allow such an investigation were not employed. Taking respondents' assertions at face value, one speculative explanation might be the unwillingness of the case companies to attract negative publicity. Some of them were among the largest companies in Turkey, usually listed in the '500 Largest Manufacturing Companies of Turkey' (ISO, 2005) in terms of net earnings, sales, exports, etc. IJVs were among the flagship companies of their Turkish parents. All of the cases were subsidiaries of well-known MNCs with established brand names. Therefore they were under close public scrutiny. If such companies were involved in unlawful behaviour, the government could not have turned a blind eye, even if it preferred to do so. Additionally, there are still the remains of an 'anti-foreign capital' attitude in Turkey. Although it has reduced among the public and government considerably, foreign-capital firms do not want to be the subject of headlines about unlawful behaviour in their labour practices.

The widespread problem of illegal employment practices without any health and retirement benefits is one side of the story in Turkey. On the other side of the coin, retirement benefits provided by SSK are not highly regarded because pensions are very low, not at all enough to maintain living standards similar to those attained while in active employment. Health services are not highly regarded either: hospitals are too crowded, with long queues and waiting lists, where quality is highly questionable. Consequently, large firms that want to attract and retain a highly qualified workforce have started to provide wide-coverage private health and life insurance plans for their employees (generally including families). In some of the cases private health insurance plans were paid fully or partially by the company for all groups of employees, including blue-collar labour. Life and accident insurances were provided according to the position, i.e. for executive management and sales. These insurance plans had become common benefits provided in parts of the large corporate sector where the case companies considered them as important tools for attracting and retaining good employees. Secondly, private retirement plans ('Individual Retirement System' 'BES') have started to be considered in the benefits package, although only quite recently, as the system by private funds management started in 2004.

The private system is supposed to support the national social security system where individual employees pay for their own retirement plans. At the time of the fieldwork, BES had not been started yet, so there were no cases that provided private retirement plans as a benefit, except Holding1 (of AutoCO1), where all the employees (like employees of all Holding1 affiliates) were members of the Holding1 Retirement Fund established decades ago. In most of the interviews, HR managers said that once BES began they would consider providing it as a benefit in order '*not to lose their competitiveness in the market*'⁴⁹. A short benefits survey (see Chapter 3) conducted by e-mail with the HR staff interviewees during the write-up period revealed that private pension plans had indeed been started in some of the companies recently.

The second issue that influences the cost of labour is the minimum wage, which is set by the Commission responsible at the beginning of every year. This is the minimum monthly pay that all firms have to pay to their registered employees. It is usually paid to those workers at the lowest skill and education level, usually in the non-unionised firms and SMEs.⁵⁰ There is an ongoing public discussion because of the pressure from the IMF to further decrease the minimum wage, and apply differentiation according to regions, i.e. lower wage in less developed regions. The minimum wage is important in Turkey as the relatively lower cost of labour is among the major incentives for FDI inflow. However there were not any case firms that paid only the minimum wage, even in the lowest skilled jobs such as in textile manufacturing and hotel industries. Although cheap labour was one of the reasons for investment in Turkey, particularly in some sectors like textiles and FMCG, case companies in this research did not adopt a 'low road' approach even in specific sectors, e.g. textile manufacturing or hotel. In fact, better compensation is found to be the norm among foreign-capital firms, which paid more than twice as much as the average of national firms in the 1990s⁵¹. Nichols and Sugur (2004) explain this by the large size of the foreign-capital firms in the Turkish business context, as they claim that the large corporate sector in Turkey in general provides much better reward packages than the SME sector (p. 32-33). While this can be one explanation, another related reason, particularly for the case companies in this study, can be found in the ILM approach. The case companies might have used attractive reward packages either to attract and retain more highly qualified employees because of industrial needs (e.g. car production or banking) or because of the company 'philosophy' of providing fair terms and conditions (higher wages, job security, decent benefits, etc) even in the lower skills sectors (e.g. textile or food production). Even paying above the average market rates, these companies still had much cheaper labour costs than those in alternative, high labour cost countries, for instance when the Turkish plants were a part of the regional supply

⁴⁹ Interview with HR Manager, FMCG2

⁵⁰ It is 574 YTL for 2007 (average gross figure; net is 411 YTL, which is about US\$305 at the ongoing exchange rate of 1.35 YTL=US\$1, April 2007

⁵¹ www.oecd.org

chain within the European countries. A final possible explanation for de-unionised and non-unionised companies can be the motivation to keep the unions at bay by providing already good rewards packages and working conditions (see Chapter 8).

In brief, the constraining factors on the transfer of American MNCs' pay and PM systems to their Turkish subsidiaries come mainly in the form of scarce labour supply with the required qualifications and increasing job hopping and poaching of highly qualified employees (see Chapter 6). Given the few formal obstacles presented by the permissive legal and labour environment of Turkey, the lawful and 'high road' approach of US MNCs cases is claimed to be linked to their adopted employment policies, i.e. ILM, non-unionisation, and fair treatment of employees, also transferred from corporate policies. To pursue these policies within the labour market where the qualified labour force is scarce, they transferred enhanced reward and PM systems developed at corporate and regional HQ. These systems were observed to follow a 'commitment' and 'high performance' approach, where links to promotions, T&D opportunities and career management were established to attract and retain the carefully selected employees.

7.3. REWARD SYSTEMS IN US MNCS IN TURKEY

This section analyses the interaction of influences of both American MNCs' corporate policies and the host country business environment on the design and application of reward systems in the case companies studied. Although policies were almost entirely transferred from US parents, their application was in certain instances adapted to the Turkish labour market conditions. Salary structures, position in the market and influences of corporate policies on the choice of the reward strategies are discussed first. Secondly, performance-related pay applications, i.e. salary increases and bonuses, are examined. Lastly, benefits policy and types of benefits provided in the Turkish local market are discussed. Differences in policy and applications for different groups of employees are indicated where relevant.

It is argued that in general C&B policies and applications for various groups of employees followed the American or Turkish (in the 2 IJVs where Turkish JVPs managed C&B, i.e. AutoCO1 and PharmaCO1) parent's corporate policies. Systems were highly centralised and strictly controlled without much if any flexibility given to subsidiary management or deviation allowed. Subsidiary and HR management were required to follow market rates and ranges, and benefits types, where the corporate policy was '*competitiveness in the local market*'⁵². In some cases, flexibility was given for

⁵² Indicated using the same expression by many interviewees in various companies.

the application of the policy and systems to employees below the levels of organisation specified in the corporate policies.

While case companies in general did not experience significant formal restrictions imposed by the legislative system or unions on the transfer of US corporate reward policies, localisation in pay adjustments and types of benefits as a result of the factors discussed above (e.g. hyper-inflationary pressures and underdevelopment of the health and social security systems) was observed. Moreover, there were not significant differences between the policy and application of WOS and IJVs, i.e. AutoCO1 and PharmaCO1, where Turkish parents were in charge of C&B systems. Explanations for the similarities between C&B (and PM) systems were comparable to those discussed for employment systems used by WOS and IJVs (see Chapter 6): American JVPs did not interfere with the application of reward management policies as long as the latter were in accordance with, firstly, their home-grown corporate policies and, secondly, other HR policies applied in the Turkish subsidiaries. Moreover, 'pull' effects were observable where leading Turkish companies aspired to keep up with the most current developments in the HRM arena. Lastly, the HRM field in Turkey in general has been going through significant changes through trickle-up trajectories brought by international (mostly American) consulting companies and other MNCs. Many interviewees indicated that HRM in Turkey had been (positively) influenced by MNCs in general and US MNCs in particular since the late 1980s with the increased inflow of FDI. Significant developments in general can be argued to have moved HRM towards more 'Americanisation' in some of the largest Turkish companies, especially in those with US JVPs. Holding1 and Holding3 are among the leading Turkish industrial conglomerates, operating IJVs, that are known to be following and transferring foreign managerial developments into Turkey.

7.3.1. SALARY STRUCTURES, POSITION IN THE MARKET AND CORPORATE POLICY

It is important to start by noting that none of the case companies shared any figures on their pay, including actual salary ranges and levels, annual change rate ranges for different employee groups, etc., with the researcher. Financial issues, including salaries, are among the most sensitive business information for large organisations in Turkey and the case companies were no exception. Although they evidently shared this sensitive information with other (sometimes competitor) companies through their own networks and by participating in salary surveys, it was not publicly available. Salary survey data was in practice available to companies only, as it was extremely expensive. Trade unions had the data for only their own members, i.e. small numbers of blue-collar employees, therefore they were a very limited source of information to triangulate data. During the interviews at the companies, questions about reward systems had to be worded very carefully, and in most (if not all) of the interviews, it was important to emphasise that the researcher was not interested in the actual salary

figures or even ranges; otherwise the whole interview might have been jeopardised. Therefore discussion of reward systems in this study does not include any figures provided by the companies.

Following corporate policy and direction, all of the cases formed their salary structures locally based on job grading systems and current market rates. Without exception, the Hay job grading methodology, with certain adaptations to the company specific conditions, was used, as a corporate application. Actual pay rates in these structures were formed by subsidiary management according to local market conditions, but they were closely and constantly controlled by regional and/or corporate HQ for application and changes. Similarly, Turkish corporate parents (Holding1 of AutoCO1 and Holding3 of PharmaCO1) exerted their policy by preparing salary structures for all of their affiliates that consisted of 'broad bands' for all job grades in various job families based on an 'overall earnings' concept that also included bonuses, premiums and benefits. These salary bands were argued to be broad enough yet reflecting the corporate policy to fit all of their affiliates operating in a vast range of industries. Within these 'suggested' bands, which were in fact closely controlled by Holding HR Departments, case companies were given the flexibility to develop their own salary structures. At AutoCO1, for instance, a 'root salary' that was 'not dependent on status or function but decided according to job grades and market rates' was Holding1's corporate policy and used for the basic salary decisions. By looking at the candidate's qualifications they adjusted the starting salary accordingly at AutoCO1.

Standard corporate policy in remuneration across cases can be summarised with the following fairly general comment as '*offering a locally competitive pay package to attract the best candidates in the market*⁵³'. It was therefore very important for them not only to design such a salary structure but also to keep up with the changes in the ongoing market rates and applications in C&B. Again without exception, all the cases participated in salary surveys conducted regularly in the total market, specific industries, multinationals, large Turkish holdings and other competitor industries (e.g. FMCG for FinCO and TexCO) by international consulting companies, e.g. Hay, Mercer, Watson & Wyatt, Thomas Perrin. Many of the case companies had additional sources of information about market rates in C&B. For instance, Holding1 and Holding3 had their own 'networks' consisting of the largest companies and multinationals in Turkey where they shared salary structures and ranges. HotelCO's regional HQ used international salary surveys in their industry. FMCG2 was a member of a platform where HR managers of MNCs met regularly and discuss various issues, including salary figures. It was also a member of another platform in Izmir consisting of HR managers of MNCs in the Aegean region, where they shared especially blue-collar wages and salaries.

⁵³ Interview with HR Director, FMCG1

When making annual salary increases, one of the most important inputs for adjustments therefore came from salary surveys and company networks about the current market rates. At FMCG1 and FMCG2, market ‘surveillance’ was done constantly in order to keep their competitive position. The following was typically stated by the senior managers at FMCG2:

“We should not be competitive only in March when we increase salaries. We cannot simply make salary increases in March and keep them for a whole year without checking salary levels in the market. If we increase salaries in March and others make considerable adjustments in say July we might lose our competitiveness. So we constantly monitor salary levels in the market”⁵⁴.

At FMCG1, they made their salary adjustments in March and September, so as to take into account the most recent increase in rates and salary positions in the market after most of the companies had made their adjustments in January and July. Not losing their competitive position in the market was especially important for ‘frontline employees’ at FMCG1 and the sales force at FMCG2, as *“our sales system and its backbone our sales force are our main competitive edge in Turkey”*⁵⁵. Moreover, sales managers and staff were subject to poaching by competitors (see Chapter 6). As argued in the previous chapter based on Osterman’s (1987) classification, confidently ensuring availability of a qualified labour supply at foreseeable prices is the most important goal for companies that choose ILM approach. Therefore case companies’ efforts towards achieving their general goal of securing a competitive position in the market with their salary and benefits structures and staying at that position can be understood as directly linked to their preferred employment system in Turkey.

Within the general policy of ‘competitiveness in the market’, case companies had more specific policies in their salary positions in the market, transferred directly from the US corporate HQ. For instance at FMCG1, they had different levels aimed in the market for different positions:

“Our corporate policy is aiming to be at the median among all companies in the market for clerical positions / levels; at the multi-national median for junior management levels; and at the multi-national Q-3 for senior management levels. For blue-collar employees, we aim to be at least at the median of multinationals and the manufacturing companies in the same region where the plant is located”⁵⁶.

Application of these market position policies was strictly enforced and closely controlled by regional and/or corporate HQ HR. At FMCG2, the following explanation by the IIR Manager was emphasised by the other senior managers interviewed:

“Our corporate policy in compensation is to be in 3rd quartile from the bottom of the market wherever you go in the world. This is definitive and you cannot for instance suggest that ‘but we want to be in the top 80% of the Turkish market’”⁵⁷.

⁵⁴ Interviews with HR Director and GM, FMCG1

⁵⁵ Interview with Sales Director, FMCG2

⁵⁶ Interview with HR Director, FMCG1

⁵⁷ Interviews also with HR Director, Sales Director, Plant HR Manager, FMCG2

Similarly at TexCO, corporate policy was to be generally at the median, and the 3rd quartile of the local market for certain positions and key people they wanted to retain: *“this is the definitive global corporate policy and cannot be changed or even offered to be changed!”*⁵⁸ At FinCO, to reach their corporate policy of *“paying at the locally competitive rates to ensure that we can hire the best talent available in the market”*,⁵⁹ they aimed for the second quartile from the top as well. All the interviewees at FinCO, including those at the regional HQ, strongly emphasised that being locally competitive in their C&B package and related decisions - i.e. starting salaries, salary structure, annual increases, and keeping up-to-date by using survey data - was among their most important corporate policies, required to be followed strictly by the subsidiary, and controlled closely by regional and corporate HQ. Only at HotelCO, both at the local subsidiary and regional HQ levels, it was claimed that their corporate policy never aimed to be the top payer in the industry and *“poach people with their salaries when opening a new hotel”*⁶⁰. However at the regional HQ, HR Director emphasised that they needed to be *“competitive in the market, therefore paying at the upper levels”*. HotelCO was no exception in terms of meticulous adoption and use of the corporate policy and being subject to close control by the regional HQ.

Turning to IJVs, AutoCO1 and PharmaCO1 had adopted similar corporate compensation policies transferred directly from their Turkish parents. For instance Holding1 corporate policy was defined as,

*“to design an overall earnings system that is determined according to current market rates, aiming to be competitive and fair within the market and the individual affiliate company, considering responsibility and authority levels within the company as well as differentiating good performance to motivate our employees.”*⁶¹

This Holding1 policy was adopted at AutoCO1 as well, supported by a salary structure where Hay methodology job grading and information from salary surveys and Holding1's networks were incorporated. PharmaCO1 had also adopted its Turkish parent's corporate policy, which was very similar to that of Holding1 except that it stated a more definite level, i.e. paying an overall earnings package at the median level among its competitors, i.e. other large Turkish Holdings and their affiliates as well as multinational competitors. Similar to US parents of WOS, Turkish parents in charge of C&B at these two IJVs closely controlled salary structure and levels. Reporting to the Holding HR and getting their approvals as the central control and coordination unit especially for top level and key positions were usual practices.

⁵⁸ Interview with HR Manager, TexCO

⁵⁹ Interviews with HR Manager, FinCO

⁶⁰ Interviews with HR Director and GM, HotelCO

⁶¹ Interview with HR Coordinator, Holding1 and Holding1 website

Policy transfer from and close control by US and Turkish parents applied to salary structures for all employees, including blue-collar in manufacturing and rank-and-file in the services. For these groups although the general policy of being competitive was relevant, cost considerations were equally important. Although no hard evidence was available for comparison, interviewees at PharmaCO1 (de-unionised; see Chapter 8) indicated that their blue-collar workers' wages were considerably lower than those in the other pharmaceuticals manufacturing company of Holding3, which was still unionised. Unions in the relevant sub-sectors claimed that wages for blue-collar workers at FMCG1 (de-unionised) and FMCG2 (non-unionised) were much lower than those in the unionised firms in their respective industries. However, the only publicly available data were the average monthly wages of unionised workers in different sectors compiled and announced by the Confederation of Turkish Employers' Associations (TISK)⁶²: as of July 2006, the weighted average of net monthly earnings (including additional payments as agreed in the collective agreements) was 1,572 YTL (or US\$ 1,165) and the lowest figure (in textiles) was 838 YTL (or US\$ 620⁶³). If we assume that non-unionised workers earn the minimum wage, the average figure was around three times and even the lowest wages in the unionised textiles sector were 50% higher than the minimum wage. The researcher however is not in a position to make informed comparisons, as no actual pay information was provided by the case companies.

Although cost of labour in production was equally important for the other two manufacturing companies in this study, i.e. the unionised cases AutoCO1 and TexCO, pay structures and actual amounts were claimed to be considerably better than the average market rates, and (particularly in the case of TexCO) their respective sectors as reward structures were designed and applied according to the industry-wide collective agreements. At AutoCO1 a very sophisticated job description and grading system was applied (see Chapter 8). According to the information by TISK, average monthly pay in the metalwork sector (in which car production and supply industries are included) was 1,237 YTL (or US\$ 916⁶⁴). In comparison to the minimum wage, which is the only available data as a benchmark, unionised textiles companies, including TexCO, and metalwork sectors, including AutoCO1, can be claimed to have provided considerably better pay than the market rates.

In summary, there was a high degree of centralisation in the transfer of reward policies consistently observed across the case companies, which was in line with other case study findings of US MNCs in European countries (Almond *et al.*, 2006b). US parents were found to have a strong inclination to establish their corporate salary structures, job grades, and position in the market. Very limited discretion was given to Turkish subsidiary managements in the application of corporate compensation

⁶² <http://www.tisk.org.tr/gostergeler>

⁶³ at the ongoing exchange rate of 1.35YTL=US\$1 in April 2007

⁶⁴ at the ongoing exchange rate of 35YTL=US\$1 in April 2007

policies, where the local business environment necessitated adaptations of policies to local levels and ranges. To design salary structures and make actual salary decisions, they used the same job grading methodology as their corporate parents, participated in salary surveys by international firms as well as their own surveys through their local networks, developed and then maintained their salary ranges according to the corporate global policy, i.e. 'competitiveness in the local market'. Although it is difficult to make definitive claims without concrete wage data, the emphasis on 'local competitiveness' meant that they paid over the market averages according to their corporate policies, e.g. aiming to be in the second quartile from the top or median of the MNCs rate etc. Following market rates especially for key positions through survey data very closely was important, as these were more difficult to fill and more open to poaching and job hopping. Except for a small number of the lowest-skilled, routine and clerical jobs, which the interviewees did not even feel the need to mention in most cases, systematic development and continuous inspection of pay strategies and structures for managerial and blue-collar jobs were emphasised by the interviewees. Regional and/or corporate HQ constantly monitored these applications and subsidiaries had to get approval for basic salary structures at the start-up phase (e.g. at HotelCO when opening a new hotel, they consulted the regional head office before finalising their salary structure, which was a 'band range' with minimum, maximum and median values for each job grade devised by considering current market rates) or when making annual salary adjustments, which is examined in more detail in the next section.

7.3.2. *PAY FOR PERFORMANCE*

Performance was linked to pay through salary increases, bonuses, and awards for individual and team-based exceptional success. As such, PRP was strongly emphasised in all case companies. It was applied to managerial, professional and white-collar employees in all cases, and to blue-collar and operational in some (FMCG1, FMCG2, FinCO and HotelCO). Although PRP was also dependent on company performance, assessing, differentiating and rewarding individual success, especially for managerial and professional employees, was a very important policy in all case studies, including in AutoCO1 and PharmaCO1 where the Turkish parent's corporate policies were adopted. In the next part, the annual salary increase process will be discussed separately for firstly managerial, professional and white-collar employees, and secondly for blue-collar and non-managerial employees.

7.3.2.1. *Annual Salary Increases*

Part of the annual salary increases of managerial, professional and white-collar employees was linked to individual PE results, while total increases were derived by considering the company performance, current market salary figures (by using information from salary surveys) and the inflation rate. When hyperinflation was prevalent, until 2003-4, like most other companies in the Turkish market, US

MNCs used to make two salary adjustments a year. The first was done at around the beginning of the year, which consisted of two separate rates: one for inflation adjustment, given across the board, and one performance-related increase rate, different rates according to individual PE results. A second inflation adjustment was given at around half-year, where the same increase rate was applied for all. In some even more extraordinary years (e.g. the economic crises in 1994 and 2001) when annual inflation and devaluation rates hit record levels, some case companies made three or four increases a year, of which only one had a performance-related part, and the rest were done to adjust salaries for inflationary losses.

Extraordinarily high inflation adjustment rates applied to salaries made Turkish subsidiaries stand out as ‘outsiders’ among US MNCs’ subsidiaries and were difficult to explain and negotiate with regional offices. However untraditional and unusual it had been for the US parents, case companies were nevertheless able to localise the salary increase process according to the Turkish conditions, arguing on the basis of compliance with corporate policies of *‘keeping competitiveness in the local labour market to attract and retain talent’*. In the case of FMCG2, they had even negotiated and were able to apply higher performance-related increases (*“around 10-12%, instead of the usual 3-5%”*) in Turkey because *“when salaries are increased by 70%, 3-5% performance increase does not mean anything to anyone⁶⁵”*.

From 2003, following the gradual fall in the inflation rate in Turkey to ‘comprehensible’ levels, case companies changed their salary increase process to once a year, which, as a couple of interviewees from different companies indicated with relief, *“had taken us out of the ‘outsider’ category and put us together with the ‘ordinary’ subsidiaries!”* In the new process, an ‘individual’ single rate, which reflected the combined influence of inflation rate, performance results and market conditions (i.e. to keep up to the market rates for specific positions, additional or no increases) has been applied once a year. In this way, the same rate across-the-board for inflation adjustment at any individual performance rating level has been discontinued. Some employees did not even get an increase to make up for inflation losses, experiencing decreases in their real salary. Across Holding1 companies, for instance, annual salary increase rates ranged between 0-55% in 2003, where employees who had received no increase (0%) for the lowest level PE rating did not get even an inflation adjustment, resulting in a salary cut in real terms. At TexCO, pay rises given in 2003 were between 15-35%, when an 18% inflation adjustment rate was assumed. Those who received 15% increase therefore experienced 3% reduction in real salaries. Through such annual salary review processes, performance results had recently gained an even more significant influence on pay, sometimes resulting in cuts. The new approach was in general claimed to have resulted in a more strictly scrutinised reward policy

⁶⁵ Interview with HR Manager, FMCG2

at the individual employee level within the firms. However companies still incorporated sectoral salary levels into their adjustment policies, as the corporate policies of maintaining certain pay levels were not reported to have changed.

The annual salary increases and distribution to individual employees were thoroughly controlled by regional and, particularly for executive positions, corporate HQ through the subsidiary HR budget, PE ratings and forced ranking processes. Within the annual budget process, the subsidiary HR budget was submitted, with such details as salary ranges, increase rates, benefits budget, and total compensation cost. All of it needed to be explained by the subsidiary management, negotiated with and approved by the regional HQ, who in turn needed to get approval from corporate HQ.

The only exception among the case companies where performance was reportedly not directly linked to annual salary increase was HotelCO. Interviewees at HotelCO and USHotel's regional HQ strongly emphasised that there was no linkage between annual salary increases and PE results. Once a year salary increases given to all employees were decided according to the past year's financial performance, the next year's business plans, the inflation rate and market conditions. However, HotelCO's HR Director later explained that individual salary changes within the minimum/maximum range in the salary structures for any position depended 'obviously' on the performance of the employee, where better performers were moved to higher levels within that band. Therefore at HotelCO too PE results were in some way linked to pay rises, but perhaps not using a standardised method applied transparently, as in the other case companies.

Although achieving higher performance and close monitoring were strongly emphasised for blue-collar employees in manufacturing, performance-linked annual pay rises for blue-collar employees were applied only in FMCG2. They used a sophisticated PE process, very similar to that for managerial / professional employees, for 'technicians', i.e. blue-collar workers, at the plant; team-based and individual results were linked to pay rises given once a year. At PharmaCO1 there was a 'monitoring' system based on production results for blue-collar workers. However, these were not linked to annual pay increases. At FMCG1, there was team and individual PE based on SMART objectives in manufacturing but not linked to pay rises. At AutoCO1, although it was stated that there was no formal PE process for blue-collars, production targets were continuously monitored and successful teams and individuals were rewarded. At TexCO, usual production statistics were monitored but there was no PE for manufacturing employees or additional recognition or reward for team or individual success. Annual pay rises for blue-collar employees were given according to collective agreement rules at AutoCO1 and TexCO.

It seems that providing competitive C&B packages and good working conditions were adequate in most cases to retain their blue-collar and operational workers, as there is negligible job hopping in these positions in the large corporate sector that provides much better conditions than the SMEs (Nichols and Sugur, 2004). One of the reasons for the fairly sophisticated performance-related pay rise system in FMCG2 might be its strong non-unionist attitude: to keep unions at bay, without having to use harsh methods, they aimed to keep blue-collar workers motivated and satisfied through this scheme. Moreover, the possibility of job hopping by their highly skilled and educated ‘technicians’ was higher than that of the blue-collar workers in the other non-unionised manufacturing cases studied, due to the recently intensified inflow of FDI into the same region and sub-sector. Avoiding unions was probably also an important incentive for FMCG1 (though to a lesser extent with the lower required level of qualifications in its operational workers) for including all workers at the plant level in the stock-option bonus plans. Individual and team-based pay for performance for blue-collar employees was administered largely through awards and (in some cases) bonuses, which are discussed next.

7.3.2.2. Bonuses and Awards

As is the case in the payment of wages and salaries, there are no rules on the payment of bonuses or special awards imposed by law in Turkey. It is common practice among large corporate firms to pay bonuses for managerial, professional and highly qualified operational employees (16 monthly salaries; one salary as ‘bonus’ every quarter, e.g. at AutoCO1, and ‘premiums’ to top, and sometimes middle, management and sales positions). Case companies also provided bonuses and premiums according to the policies and schemes transferred from their US (or Turkish, in AutoCO1 and PharmaCO1) parents. Although the details of bonus payment schemes were never shared with the researcher in any of the cases, general policy was the same in all, including AutoCO1 and PharmaCO1 where Holding1 and Holding3 policies were applied. Quoting from the regional HQ HR Director of USFin, which summarises accounts by many other interviewees at FinCO as well as other cases, the policy was

“to reward successful performance, i.e. reaching or exceeding targets, by completely variable, performance-related bonus. In this way, we direct individuals towards the delivery of results by intensifying their efforts to reach the agreed objectives in the PE process”⁶⁶.

In the case companies, high performance (evaluated higher than ‘above average’ or ‘as expected’) was rewarded by bonuses. Bonuses were given mostly to higher level (executive) management (although the exact level of management changed from company to company) and sales positions, based on individual and subsidiary performance. At FinCO, for instance, a very competitive bonus system, based entirely on high performance and transferred from USFin, was applied, especially at

⁶⁶ Interview with HR Director, USFin EMEA HQ

the higher levels of the management pyramid. Similarly at FMCG1, through the American parent's 'Executive Compensation Programmes' higher-level managers received an annual managerial bonus at the end of the year, linked to their individual PE and the financial performance results of the subsidiary. At HotelCO, where USHotel's global corporate policy was applied, annual premiums were given to top management that were linked to three performance indicators: achieving certain percentage of success rates in the consumer audits ('Mystery Guest' programmes), results of employee opinion surveys, and annual financial performance results of the subsidiary. 'Annual Revenue Premium' ('ARP') for all managerial and white-collar employees, and 'Leadership Share' for top management were the global corporate programmes of USTex applied at TexCO in Turkey. In ARP, bonuses were calculated as a percentage of individual salaries – 7% for level x, 10% for the next level, etc. and *"cannot be even suggested to be changed in different local markets"*⁶⁷.

At AutoCO1 and PharmaCO1, Holding1's and Holding3's corporate policies of annual bonuses for top-level management depending on company performance were applied, where rates and amounts were decided by Holding managements, as in all affiliated companies. One difference between WOS and IJVs where Turkish parents managed C&B was in the application of company stocks given as bonuses. At FMCG1, FMCG2, FinCO, HotelCO and TexCO ('Phantom Stock' Options, as USTex was a private company) corporate stocks and stock options made a significant part of bonus schemes for top level / executive management. In fact, more widespread use of ESOPs given at all levels of employees was one of the most important policies at FinCO and FMCG1. At USFin there was a recent policy of reducing or altogether eliminating various non-cash benefits, replaced by performance-related bonus schemes at all levels of the organisation, where part of the bonuses would be paid by company stock. Applying various company stock ownership plans down to the lowest level of employees, not only for senior staff, was one of the major corporate policies at USFin at the time of the fieldwork. It was argued by European HQ HR Director that USFin was very keen to replicate its US-based system across its subsidiaries in the region⁶⁸, in a similar fashion found in the US financial services MNE case by Bloom *et al.* (2003). Corporate HQ was argued to believe in the greater power of owning and earning from company shares than that of non-cash benefits in increasing motivation and commitment among all employees. Such an application was argued to be also in line with reducing costs and increasing stockholders' wealth through higher company earnings, which reflected the 'increasing shareholder wealth' approach and the related constraints experienced in the American business system. This corporate policy was in transitional application in

⁶⁷ Interview with HR Manager, TexCO

⁶⁸ Interview with HR Director, USFin EMEA HQ

the EMEA region and only for one part of the company so far, and had not yet been brought to Turkey⁶⁹.

At FMCG1 on the other hand including all employees in the 'Share Power' scheme, i.e. distributing USFMCG1 shares as an annual bonus, was local management's decision. As a strict corporate policy of USFMCG1, the 'Share Power' scheme had to be applied globally to all managerial employees above a certain level. With the discretion given to subsidiary management in Turkey, they had started to include blue-collar workers in the 'Share Power'. Inclusion of blue-collar workers in 'Share Power' (and many other highly-regarded benefit schemes applied to managerial and white-collar workers) had started following de-unionisation, and was given as an example of fair and good management, as a result of which it was argued that workers '*should not need a union*'⁷⁰. USFMCG1 had given the flexibility to apply this (and other) benefit schemes to blue-collar employees⁷¹, which might be explained in the 'preference' of the USFMCG1's corporate management to keep unions out. In the specific case of FMCG1 therefore corporate policy had not only been transferred but also localised in application by subsidiary management with the discretion granted by the regional HQ as a result of the interaction of US corporate policy (i.e. anti-union) and labour market conditions in Turkey (i.e. providing a highly regarded rewards package to attract and retain non-unionised labour)⁷².

Bonuses and premiums for sales positions were also applied in most cases (except at HotelCO), linked to reaching sales targets and fulfilling quotas. Again, no details of these schemes were obtainable, but in all cases they were reported to be directly linked to SMART job-related objectives of sales and related positions (e.g. branches in FinCO). It was clearly stated that these schemes were applied according to (US or Turkish) corporate policies, within 'hands on' control and approval by regional / corporate HQ or Holding HQ.

In addition to bonuses for various groups of employees, special success awards for non-managerial and blue-collar employees were common practice in most of the case companies. The scheme at HotelCO was a globally applied corporate programme transferred to Turkey⁷³, whereas the programmes for blue-collar workers at FMCG1⁷⁴ and FMCG2⁷⁵ were developed locally. At HotelCO, the scheme had 3 components, recognising and rewarding success at individual ('Stars'),

⁶⁹ Interview with Regional Credit Cards Director, USFin EMEA HQ (who later has been transferred to Turkey as the General Manager of Commercial Banking)

⁷⁰ Interview with HR Director, FMCG1

⁷¹ Interview with Regional Organisational Development Director, USFMCG1

⁷² Interview with Regional Organisational Development Director, USFMCG1

⁷³ Interviews with Regional HQ HR Director USHotel, and HR Director & GM, HotelCO

⁷⁴ Interview with Regional Organisational Development Director USFMCG1, & HR Director FMCG1

⁷⁵ Interview HR Manager & Plant HR Manager, FMCG2

team ('Innovators') and company ('Achievers') levels. 'Team of the Month' and 'Team of the Year' programmes at FMCG1 and 'Recognition of Success' programme at FMCG2 were team-based schemes, in which manufacturing employees were recognised and rewarded for reaching and exceeding team targets. At AutoCO1 and PharmaCO1 very similar team-based recognition and reward programmes were developed and applied at subsidiary levels (not Holding applications) for product and process improvement, cost reduction, increasing customer satisfaction, etc.

Considering PRP schemes for blue-collar workers in the case companies, it is argued that firstly, performance was not linked to pay increases, except in FMCG2. To increase motivation by rewarding high performance, companies preferred to use bonuses and awards as well as more non-financial recognition tools linked to exceptional group and individual performance. Secondly, local subsidiaries were given much more discretion in the design and application of schemes for blue-collar workers. These were both corporate-driven and locally developed schemes for manufacturing employees used as another tool to "*keep these employees motivated and committed*", in line with their ILM approach (see Chapter 6). Use of performance-related pay increases and bonuses in the non-unionised companies was also linked to the attitudes of the US parents.

7.3.3. BENEFITS: POLICY AND APPLICATIONS

In benefits schemes, a similar general corporate policy of '*ensuring competitiveness in the market by providing those benefits commonly given in the local market and retention of employees through a good benefits package*' was generally found across the case companies. In some cases, there were more specific policies, such as being 'at the median' of the market in FMCG2 or 70th percentile from the bottom of the market in TexCO. At HotelCO, the corporate 'guideline' on benefits policy as indicated at the regional HQ was:

"market, cost and ethics driven, i.e. to be a fair and honest employer, providing whatever is necessary and keeps the company in the median among the competition"⁷⁶

Industry-specific conditions were also taken into consideration if relevant, as in the case of HotelCO where it was argued that the '*Hotel industry is not renowned for providing a generous benefits package*'⁷⁷ or at AutoCO1 where HR/IR Director stated that '*not much is traditional in the car manufacturing industry*'. More importantly, application of the general benefits policy was still very strictly controlled by regional and/or corporate HQ, although the content and administration was left to the subsidiaries. Approval for a new benefit to be included in the package was needed from the regional HQ, as in the case of TexCO, where '*they would not approve a benefit which is not given by*

⁷⁶ Interview with HR Director, USHotel Regional HQ

⁷⁷ Interview with HR Director, USHotel Regional HQ, & HR Director, HotelCO

*at least half of the companies in the market*⁷⁸ or in the case of FinCO where they had recently got approval to start working on providing a pension plan as a new benefit after lengthy and detailed correspondence with the regional C&B Director and the International Benefits Office at corporate HQ, where all health and pension plans had to be checked and approved before being applied in subsidiaries⁷⁹. While aiming to be competitive in the market, controlling the cost of benefits was an important issue for the case companies, especially for FinCO, TexCO and HotelCO. Both USFin and USTex corporate managements were in the process of reducing the benefits globally as a result of a corporate policy developed in the USA, by consolidating various benefits (especially health insurance and pension plans in the case of USFin) into bonuses and salaries. These changes in the policies had already been applied in the US at the time of the fieldwork, however they had not yet been brought to the EMEA region. It was argued by interviewees that it would be very difficult, almost infeasible, to take back the locally ‘traditional’ benefits in Turkey⁸⁰. To be able to stay competitive in the local labour market they would have to continue providing most of the benefits, as tightly constrained by the TBS, such as health insurance and pension plans.

Looking at the actual application of the general benefits policy, the influence of various constraints in the TBS can be observed. A rather homogeneous set of highly regarded benefits was found across the cases, provided in order to keep a competitive position among competitors in the market, as these benefits are the most important ones expected from a good corporate job by employees targeted by the case companies (Table 7.1). Among these were various insurance plans (health, life, accident), transportation, free food and beverage services, social and cultural activities (new year dinners, company parties and picnics, sports clubs, tournaments, etc.). It is worth pointing to the rather high-value benefits of health (and in some cases life) insurance plans that were in some cases provided for all employees, including blue-collar, and families. Such benefits above and beyond those provided by the national social security system (SSK) are not traditionally found in small and medium sized Turkish companies. However, in recent years ‘preferred’ employers, generally in the large corporate sector, have started to offer these benefits, and US MNCs in this sense acted in line with their corporate policy, i.e. attracting and retaining the best talent available in the market by providing one of the most favourable benefits, which is now becoming more common among large domestic employers.

⁷⁸ Interview with HR Manager, TexCo

⁷⁹ Interview with HR Director C&B, USFin Regional HQ

⁸⁰ Interview with HR Director C&B, USFin Regional HQ & HR Manager, FinCO

Table 7.1. Benefits

Benefit Types	AutoCO1	FMCG1	FMCG2	PharmaCO1	TexCO	FinCO	HotelCO
Free Cafeteria Services	X	X	X	X	X		X
Free Tea	X	X	X	X	X	X	X
Food 'tickets' ⁸¹		X	X	X ⁸²	X	X	
Private Health Insurance (incl. family)	X ⁸³	X	X	X ⁸⁴	X	X	X ⁸⁵
Life Insurance		X ⁸⁶	X	X ⁸⁷	X	X	X ⁸⁸
Private Pension Plans	X ⁸⁹		X	X		X	X ⁹⁰
Turkish Holding Pension Fund	X	N/A				N/A	N/A
Bus Services	X	X	X	X	X	X ⁹¹	?
Company car ⁹²	X	X	X	X	X ⁹³	X	X ⁹⁴
Mobile Phone ⁹⁵	X	X	X	X	X ⁹⁶	X	
Lap top ⁹⁷		X	X	X	X	X	
New Year Dinner/Party		X	X	X	X	X	X
Annual Picnic/Dinner		X	X	X	X	X	X
Sports Facilities, Clubs, Social Activities	X	X	X			X	X ⁹⁸
Child care					X		
Discounted purchase options of company products		X		X	X	X	X ⁹⁹
Lower rate credits from company funds			X			X	
Additional annual paid leaves	X	X	X	X	X	X	
Annual Health Check-ups ¹⁰⁰	X	X	X	X	X	X ¹⁰¹	
Individual Accident Insurance ¹⁰²	X	X	X	X	X	X	
Financial and non-financial Awards for long-term service (e.g. over 5 yrs, 10 yrs, 15 yrs, etc)	X	X	X	X	X	X	X
Salary / pay advances	X	X		X		X	
Gifts or bonus payments for marriage, new child, death in the family, etc.	X		X	X			
Supplementary payments for children, heating, education, religious holy days.	X			X	X		
Purchase options of company cars and other assets		X	X	X			
Annual Social Meetings for Sales Force				X		X	

⁸¹ For managerial and white-collar employees

⁸² For employees in the regions, where there are not company cafeteria services

⁸³ 3 different plans, depending on seniority in the company; A: 3-10 years, b: 10-20 years, C: over 20 years of experience in the company; after 3 years, starting from the 37th month, company pays 1/3 of the premiums, including for family members; new employees (i.e. until 3 years) can buy A policy and pay in 12 instalments him/herself.

⁸⁴ For salaried (not waged) employees only; after 12 months of service; employee can buy the same plan for family members at the same price paying him/herself in instalments; company does not pay

⁸⁵ For top-level management only

⁸⁶ For Managers only

⁸⁷ For Managers only

⁸⁸ For top-level management only

⁸⁹ HoldingI Pension Plan, for all employees in the affiliates of HoldingI, through HoldingI's wide programme

⁹⁰ For top-level management only

⁹¹ In Istanbul only

⁹² Depending on the position, e.g. management or sales

⁹³ Not to white-collar & managerial employees at the Plant

⁹⁴ For General Manager only

⁹⁵ Depending on the position, e.g. management or sales

⁹⁶ Not to white-collar & managerial employees at the Plant

⁹⁷ Depending on the position, e.g. management or sales

⁹⁸ Employees above Department Head level can use the Hotel's facilities at a discounted rate

⁹⁹ All employees can use Hotel's restaurants, cafes, etc at 50% discount rate

¹⁰⁰ For top-level management only

¹⁰¹ For employees over 50

¹⁰² For frequent travellers

Localisation of policy implementation was further observed in some other benefits stemming from the conditions in the Turkish environment (see Table 7.1). Free cafeteria services on site or an equivalent benefit for the sales / regional staff (i.e. ‘tickets’ that can be used to buy food in various places) and transportation services were typically provided, although these were not common benefits in many other countries. In Turkey, the majority of employees travel a considerable distance to work and do not have cars. Public transportation is very difficult and time consuming. Therefore case companies adopted this local application, and provide their own bus services, which had the additional benefit of bringing employees to work on time and comfortably, ready to work with increased efficiency. Food services cannot be found around plants, and in a relatively low-income country, free food and beverage is considered an important benefit. These two types of benefits are provided in almost all large Turkish companies, particularly in the public sector, and case companies were no exception.

A noteworthy issue was about the application of childcare benefit: according to Turkish Labour Law, it is compulsory for companies employing more than 150 female employees (regardless of their age and marital status) to provide on-site childcare. However it was provided in only two cases, i.e. TexCO and AutoCO2 (only at its Istanbul plant). In some of the cases, e.g. HotelCO, FMCG1, FMCG2, there was not the required number of female employees to make it obligatory for the company to provide childcare. However others, for instance AutoCO1, where there were around 7,000 employees, would definitely be subject to this clause of the law. At PharmaCO1 it was stated in the e-survey that they were not able to comply with the requirement of the law, without any explanation, even though the number of female employees was above 150. In FinCO, the reason for not providing on-site childcare facility was explained as the preference of their female employees, as professionals with different socio-economic backgrounds from those of blue-collar female workers, for ‘private childcare arrangements’¹⁰³. This finding contradicts the interviewees’ claims that their companies did not engage in any unlawful behaviour. The fact that they did not provide childcare was probably because the law was recent and not yet strictly enforced. Although some NGOs recently started to work towards raising awareness about the legal obligation among the public, businesses and even the government to enforce the law, many large and well-known domestic and foreign companies were identified as not providing childcare facilities. Although US MNCs, as ‘fair and preferred’ employers, could have been expected to provide this benefit in Turkey, even if not required or enforced by law, they might not do so in order not to be ahead of competitor firms in providing benefits. For instance it was claimed at TexCO that childcare benefit provided for the plant was one of the most important reasons for being considered as a highly preferred employer around that region by female blue-collar employees.

¹⁰³ Interview with HR Director R&S, USFin Regional HQ, who used to be the HR Director at FinCO

The analysis of benefits policy and applications revealed no any major differences between WOS and IJVs where Turkish JVPs managed C&B. Holding1's benefits policy across its numerous affiliates in various sectors was shaped '*for attracting and retaining talented employees in the long-term*'¹⁰⁴.

Holding3 also adopted a policy that aimed '*to attract talent by being competitive in the market*'. Both of them had a further policy of providing the same set of benefits across all their affiliates. Benefits such as social and cultural facilities and activities, long term service awards, and most importantly, private health insurance and a pension fund for all employees provided at AutoCO1 came from the 'Family of Holding1 Programme'. This reportedly very 'prestigious' holding scheme provided additional benefits to its members, such as various subsidised or free services (e.g. banking, insurance) and products from Holding1 affiliates. At PharmaCO1, the benefits package was transferred from Holding3, which included most of the items in AutoCO1's set of benefits, while no private health insurance was provided for waged employees at (de-unionised) PharmaCO1. Although the benefits policy and applications were transferred from the Turkish JVPs, and there were not any benefits provided through US JVPs (e.g. stock options), they were not significantly different from those of WOS.

In this section salary structures, variable pay practices (i.e. performance-related salary increases, bonuses and awards) and benefits in the studied US MNCs were analysed. It was found that firstly, rewards policies were transferred from US parents (or Turkish Holdings, in the case of IJVs) with localisation in certain applications, resulting in 'hybridisation'. Secondly, US (or Turkish, in IJVs) corporate parents closely controlled reward policies and practices in the Turkish subsidiaries, where well-defined salary structures, annual increases and ranges as well as benefits packages needed approvals. Adaptation of policies to the Turkish conditions were also observed in annual salary increases and benefits types. Increased discretion was given to subsidiary managements, especially for development and application of performance-linked pay practices for blue-collar employees that were used to retain and keep these employees motivated in their respective firms explained by two main factors: relative difficulty of finding and retaining better qualified employees and corporate inclinations to keep unions out.

7.4. PERFORMANCE MANAGEMENT SYSTEMS (PMS)

In this section components of PMS for different groups of employees in the US MNCs are discussed. Firstly, sophisticated and very similar PM systems and processes for managerial/ professional white-collar employees were observed across the case companies, which were transferred from their

¹⁰⁴ Interview with HR Coordinator, Holding1 and Holding1 website

American parents (FMCG1, FMCG2, TexCO, FinCO, and HotelCO) or Turkish Holdings (AutoCO1 and PharmaCO1). Secondly, these systems and processes were almost identical across the cases, whether WOS or IJVs where Turkish parents were in charge of PMS. PMS, together with reward systems, were the corporate policy most closely controlled by the US and Turkish parents alike. Thirdly, PM involved participatory and detailed PE and career management, and was linked to reward systems as well as T&D, identification of high potentials (HI-PO), promotions and succession planning as well as redundancy decisions. Figure 7.1 illustrates the general PMS cycle for managerial, professional and white-collar employees observed in the case companies. Finally, although PE systems were also closely associated with performance and financial measurements, the developmental role of PM and career-related aspects were emphasised for the same groups of employees at least as much as its linkage to PRP.

In contrast to the strong emphasis on PE and PMS for managerial and white-collar employees in all the cases, it was not described as such a significant process for blue-collar workers, except in FMCG2. In fact, in some of the cases, *'no formal PE process for blue-collar workers'*¹⁰⁵ was reported, while production statistics were continuously monitored and incentives were provided for improvement through individual and team-based rewards. PE in manufacturing was not directly linked to PRP in terms of individualised annual salary increases (with the exception of FMCG2) and bonuses (with the exception of FMCG1), nor to T&D and promotion opportunities (with the exception of FMCG2); as a result, it was not perceived as a 'proper' PE system by interviewees. In the next section, the participatory and developmental nature of the PE process firstly for managerial/ professional and white-collar employees, and secondly for blue-collar employees is analysed.

¹⁰⁵ Interview with assistant HR Manager, PharmaCO1

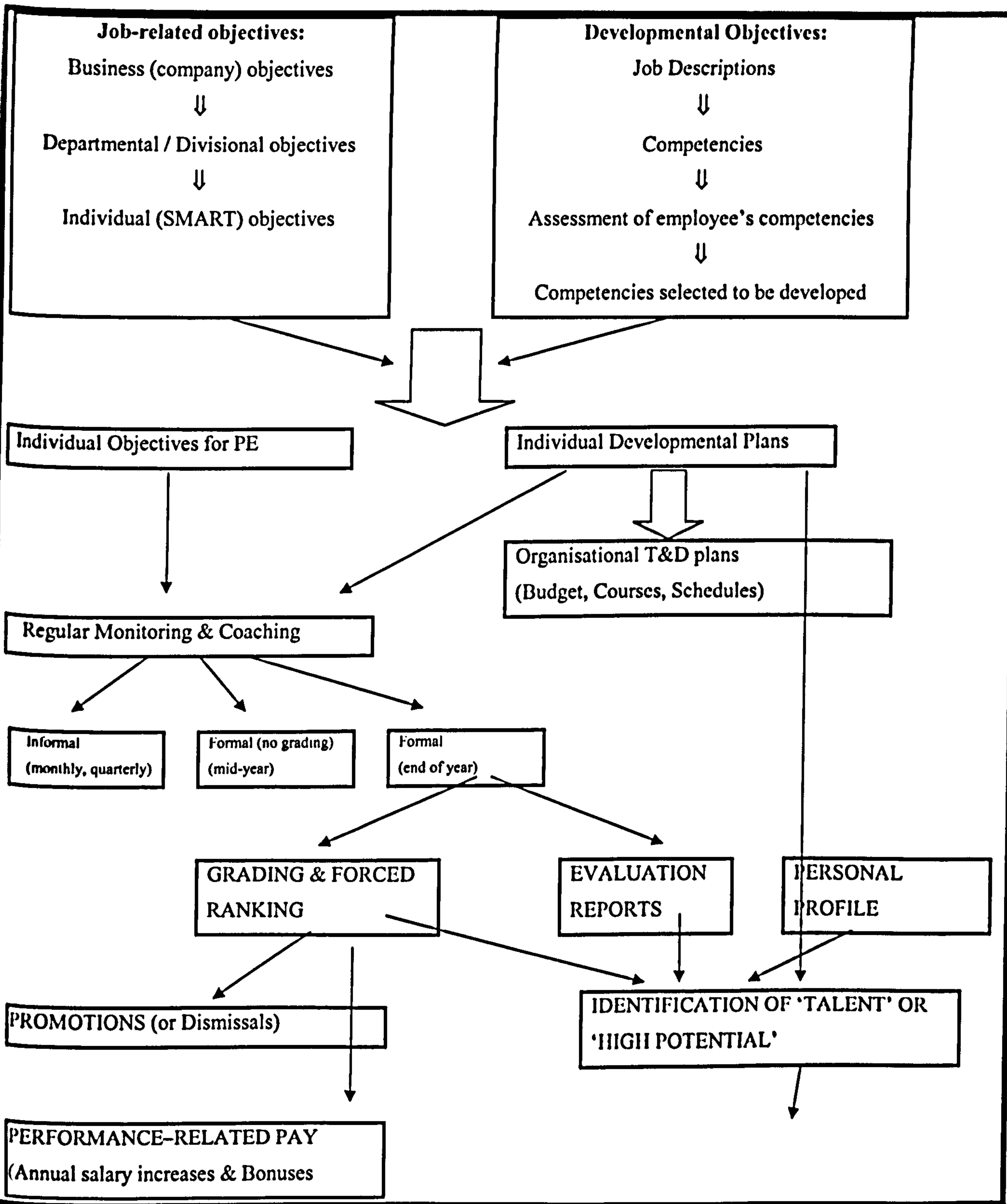


Figure 7.1. Performance Management Cycle in the US MNCs cases

7.4.1. PARTICIPATORY AND DEVELOPMENTAL PE PROCESS

Strong centralisation efforts of the US parents were evident in the PE systems that were reported to be transferred directly from the corporate HQ. An intensive effort was observed for the standardisation of PE forms and criteria at those firms where the application according to corporate policy was left to the local subsidiaries (e.g. FMCG2, TexCO, and AutoCO1), while in others the whole process had been already standardised across subsidiaries. At all stages, i.e. identification of PE objectives, regular monitoring and coaching, and evaluations, a highly participatory approach was described across the cases.

The concept of 'performance' in the USA has been extended from strictly measurable business goals to include more qualitative assessment of 'soft' aspects of individual competency, e.g. teamwork, leadership, communication, etc. (e.g. Almond *et al.*, 2006a). Accordingly, PE processes in the case companies were found to be a combination of 'traditional' and these more contemporary approaches. Firstly, two separate sets of individual objectives were identified and agreed mutually by employees and supervisors. The first set, the 'traditional' 'job-related objectives', was derived with a cascading down approach starting with company goals, down to departmental / divisional goals, from which individuals identified their own objectives. Top-level management shared the company's targets with their employees, and lower level management and employees were encouraged and expected to be actively involved in achieving these results by discussing and designing departmental and individual objectives. Moreover, when it came to *'signing and locking next year's goals onto the PE form, no one is surprised as everyone decides his/her aims in collaboration with their managers, considering departmental and organisational goals for next year'*¹⁰⁶.

In PharmaCO1, for instance, the Business Plan was prepared in a highly collaborative process, where the process began with preparing a very detailed Business Plan at the departmental level, developed in a bottom-up manner, from individuals to departmental heads, who in turn met in May at the 'Business Plan Meetings' organised by the HR Manager, then went back to their departments to further discuss objectives, leading to the finalising of the company Business Plan around October. In TexCO, the same approach was followed, which ended with employees having prepared their own 'RAP' ("Results Action Plan") that showed individual objectives derived from departmental objectives using a 'waterfall' approach, by also considering 'JPCR' ("Job Purpose Critical Results") which showed the critical expected results from each position. 'RAP's need to be discussed and agreed both by the employee and manager. At FMCG1 and FMCG2, an almost identical process was followed, except

¹⁰⁶ Interviews with HR Managers, PharmaCO1 and FMCG2

business goals for the next year were ‘given’ to the GM from the regional HQ. From those, similar top-down and bottom-up processes were pursued. In FMCG2 for instance most of the departmental managers and directors invested time and money into taking their direct reportees to an off-site meeting where departmental and individual goals were discussed and agreed: *‘It is a two-way process; it cannot succeed as [a] one-way [process]’*¹⁰⁷. ‘SMART’, i.e. ‘Specific, Measurable, Aligned, Realistic and Timely’, job-related objectives were used across the case companies, as much as possible *‘to make it easier to monitor and evaluate accomplishments’*¹⁰⁸.

The second, ‘contemporary’, part of individual goals, i.e. competency-based objectives, were understood to be a recent application with more of a developmental purpose. They were related to core competencies employees needed to develop or improve to be able to perform better in their current position or prepare for the next promotion. At FMCG1, this group was called ‘human-related’ objectives and consisted of three main subsets related to teams, project groups and leadership competencies, as identified in a ‘guide’ by the corporate HQ. At PharmaCO1, HR department in principle suggested two to three core competencies for each employee identified to be developed each year, as *‘we do not believe that one can develop or improve more [competencies] within a year’*¹⁰⁹. At HotelCO, a global corporate policy of introducing competency-based objectives alongside job-related ones in the PE were just being piloted at the time of the fieldwork and was to be applied the following year only to the managerial levels. At AutoCO1 there used to be a company-developed PE process with a ‘managerial competencies’ element only for those who were currently managers, but this system was being replaced with a ‘goal setting and competency-based’ approach developed recently by Holding1, which would impose competency-based objectives for all employees. AutoCO1 was among the first affiliates to pilot and apply it. At TexCO and FinCO, there was not a separate group of competency-based objectives. However, ‘focused’ plans for the development of necessary competencies to reach job-related objectives were discussed and agreed between the employee and manager in the ‘Developmental Plan’ at TexCO and ‘Development Survey’ at FinCO.

This highly participatory and developmental approach was also employed in the regular monitoring and coaching process, which was conducted in one-to-one meetings throughout the year (monthly, quarterly, or whenever deemed necessary by the employee or manager) informally and at least twice a year (mid-year and end of year) formally. In TexCO, for example,

“Monitoring and counselling meetings should be held ideally each month but it is not formally obligatory, meaning no reports or grading are required. However our managers know that the better the coaching and assessment by managers, the higher the chances of promotion and development for the employee”¹¹⁰.

¹⁰⁷ Interview with HR Manager, FMCG2

¹⁰⁸ Interviews with HR Manager, TexCO

¹⁰⁹ Interview with Assistant HR Manager, PharmaCO1

¹¹⁰ Interviews with HR Manager and GM, TexCO

Informal and formal meetings throughout the year were used to '*see if everything's on track as planned*' and '*take corrective action if necessary*' as well as to '*keep you constantly motivated by discussing future career and development possibilities and additional action to be taken this year*'¹¹¹.

The last phase of the PE process, i.e. formal evaluation and grading, was similarly reported to be done in an open and participatory way, where an in-depth meeting for discussion of results, possible development actions, and future prospects was held and reported. At FMCG2, every manager spared about half a day for each direct reportee to reflect on and discuss the previous year's performance results. At all case companies, formal PE reports were written twice a year, and a 5-scale grading and forced distributions (except at HotelCO) were commonly done.

7.4.2. FORCED DISTRIBUTIONS

Although pay linked to performance has been an American 'innovation' which has been strongly advocated and observed in US firms, 'forced rankings' are argued to be a more recent trend towards pushing managers to strictly evaluate employees according to work results or performance (Capelli, 1995). Almond *et al.* (2006a) found evidence for the application of forced distributions in some of their case-study companies in different European countries. In this study too, convincing evidence was found for the use of evaluation ratings and forced rankings in some of the firms studied.

For formal evaluation and grading, standardised 5-scale rating schemes (see Table 7.2), transferred directly from the US (or Turkish, in the cases of AutoCO1 and PharmaCO1) corporate parents were used in all, with the aim of '*achieving fair and standard evaluations across all subsidiaries*'¹¹². PE ratings were linked to performance-related pay increases, as well as to promotions, career planning, and redundancy, although implications of PE results for employment security were not emphasised by the interviewees. In most cases, including AutoCO1 whose PMS has been transferred from the Turkish JVP Holding1, forced distributions were used and strictly applied, particularly in FinCO, TexCO, AutoCO1, FMCG2, while applications in FMCG1 and PharmaCO1 were understood to be more loose. Managers were instructed to rank employees in relation to each other, to identify a given percentage of 'high' 'low' and 'average' performers.

¹¹¹ Interviews with HR Managers, FinCO, TexCO, FMCG2, etc.

¹¹² Interviews with regional HQ HR Directors, FinCO

Company	Rating scale
AutoCO1	A, B, C, D, E
FMCG1	1 to 5, where 1 is the lowest and 5 is the highest
FMCG2	1 to 5, where 1: 'unacceptable', 2: 'needs improvement'; 3: 'full performance', 4: 'superior', 5: 'exceptional'
PharmaCO1	Y: Unsatisfactory ("Yetersiz"); G: Improvement Required ("Gelişme Gerekli"); B: Successful ("Başarılı"); B+: Above Expectations ("Beklenenin Üstü"), O: Exceptional ("Olağanüstü")
TexCO	1 to 5, where 1: unacceptable (around 3%); 2: needs improvement (around 3%); 3: full performance (70-80%); 4: superior (10%); 5: exceptional (around 3%).
FinCO	5-scale rating, T1 to T5, where T1 best & T5 worst performance level (T1: 10%; T2: 25%; T3: 45%; T4: 15%; T5: 5%)
HotelCO	5-scale [no more detail was given]

Table 7.2. PE Rating schemes of the case companies; forced ranking distributions given in parentheses where available

In FMCG2, TexCO and FinCO, a tight control process by regional/corporate HQ was found to be imposed on the application of forced distribution, where no flexibility was granted to subsidiary managements. HR at regional HQ did not allow any deviations from the given percentage distributions for each PE rating category. If not kept within the required limits, regional HQ HR usually returned the results to the subsidiary HR with a request to *‘rework the distribution according to the ideal percentages’*¹¹³. As a result, departmental and organisational ‘calibrations’ were done at the subsidiary level before submitting the results to the region. At FMCG2 a normal distribution (*‘our famous bell-shaped distribution’*) was ‘aimed’ by corporate HQ. At AutoCO1, Holding1 required and monitored forced rankings, but the most strict control was described at the subsidiary HR/IR Director level where only a very few deviations were allowed under very exceptional cases. As a general rule, case companies were keen on making fair and accurate PE, as PE systems formed the basis for and were linked directly to T&D, career and succession planning systems as well as to remuneration. Forced rankings were therefore claimed to be used as a tool to distinguish between good, better and not-so-good performers and to distribute rewards, development and career opportunities accordingly. In this sense, the rationale for forced distributions was argued by the Regional HR Director at FinCO as follows:

“We don’t like to be too dogmatic, so we talk about ‘flexible forced ranking’. Not every population can fit neatly. Clearly what we want to say [is] that there is a difference for somebody [who] performs above average. So let’s try to make a distinction clearly between our best employees and our weakest employees and it is only then if we do this job properly, it will result in giving compensation correct. What tended to be in the past,

¹¹³ Interview with HR Manager and GM, TexCO

we put almost 100 percent population in those two boxes [*top 2 ratings*]. This is what happens; it is socialism, delusion, we get almost everybody the same.”

One possible outcome of PE and forced rankings is ‘managing out’ the low performers. It is argued to be linked to the ‘employment at will’ assumption that underlines the US employment system. It was possible that results of forced rankings were used to inform decisions on redundancy, as Almond *et al.* (2006a) found to be potentially the case in some of the US MNCs they studied. Interviewees in the Turkish subsidiaries usually refrained from mentioning what happened to those with the lowest rankings. In fact, typically American application of linking PE results to dismissal decisions was legally acceptable in the Turkish environment: the new Labour Law asks employers to have concrete evidence for dismissals, one of which is PE records showing poor performance over a period of time. In this study, there was very limited evidence found for dismissal of low-level performers on the basis of their PE results: at TexCO, when the managerial and white-collar staff were replaced with ‘new blood’ from outside during the restructuring process, past performance results were used. Therefore poor performers were asked to leave with their severance payments given. In FMCG2 and FinCO, those with the lowest performance results were ‘warned’ to improve their performance in a given short period, say 3 months, after which they were re-evaluated. If they were able to improve performance, they continued under close monitoring, with training provided if necessary. Although there was no rush for dismissals decisions, low performers were given strong signals. They were usually ‘managed out’, i.e. they left themselves without additional procedures, or were ‘invited to resign’ and received redundancy and severance payments, sometimes with additional payments.

The participative PE approach and developmental goals of the PE process can theoretically be in considerable tension with the forced distributions of evaluation ratings. However interviewees reported that these two seemingly conflicting aims created no problems among employees. HR and line managers, probably reflecting their own opinions, argued that their employees welcomed the challenge of setting ambitious targets and were happy to be fairly and equally evaluated. This can be explained by three factors: firstly, these companies might have recruited and selected the ‘right’ candidates through their sophisticated recruitment and competency-based selection processes (see Chapter 6), i.e. those who would fit into the challenging company cultures with their personal characteristics as well as their educational and socio-economic background. Secondly, within the ILM approach applied in the case companies by hiring fresh graduates for the entry-level positions and promoting them from inside, companies might have been able to ‘mould’ their employees according to the specific company culture, where PE was accepted as a natural rule of the game. Lastly, as PE and PMS became more commonplace in the Turkish business environment, especially in the large domestic corporate sector and MNCs (for which the findings of this research presented some evidence), they came to be perceived by many as generally accepted, a ‘requirement of modern management’ processes. Although reflecting only the management’s views, these findings on the

related parts of employment system approaches, R&S and PE processes tell us a supporting story about the interaction of host- and home-country influences on the transfer and application of HR policies and practices.

7.4.3. PE FOR BLUE-COLLAR EMPLOYEES

Formal PE and individual merit pay for blue-collar workers were not applied widely in the USA until quite recently (Shibata, 2002). The findings in this study revealed that it was not a common practice in the case companies, either, at least for the time being. PE in manufacturing generally meant monitoring various production statistics and team-based targets in output, scrap, quality, etc. In AutoCO1 and PharmaCO1, teams were assigned periodic targets and constantly monitored in reaching SMART production objectives. Successful teams were recognised and rewarded by small gifts in a ceremony (not in PharmaCO1), published in the company newspaper / bulletins, had lunch with the top management (not in PharmaCO1), etc. Good performance results identified in the manufacturing process were not directly linked to pay (except in FMCG2, as discussed above) or T&D programmes (except in AutoCO1, where the USAuto Production System was used to identify training needs of blue-collar workers, and in FMCG2 training needs analysis of blue-collar workers was linked to the PE system). At TexCO, no similar schemes (team targets, recognition or reward systems) were in place for manufacturing employees in the plant, where only the usual production statistics were monitored.

Therefore a PMS process for blue-collar workers similar to that for managerial and professional employees was reportedly applied in FMCG2 and partly in FMCG1. Application of these highly sophisticated, indeed 'innovative', systems for blue-collar workers was local managements' decision in both companies: their US corporate policies did not involve the application of PMS down to the level of blue-collar workers in manufacturing.

Possible explanations discussed above for the use of performance-related salary increases (FMCG2) and bonuses in stock options (FMCG1) for manufacturing workers apply here for the use of a formal PE process. Both FMCG1, and particularly FMCG2 had developed and applied these systems within the given local market constraint of finding better educated employees and retaining them after in-house training. Moreover, in both companies PMS were used to keep these employees motivated by challenging targets and rewards systems linked to performance. 'Technicians' in FMCG2 were considerably better educated and skilled, with 2-year vocational college graduates among them. FMCG2 was subject to increased threat of poaching by and job hopping to the other foreign investment companies recently established in the same region, offering similar pay and benefits, together with promotion opportunities as the new firms needed experienced and trained employees for

supervisory levels in manufacturing. Another possible reason for the use of these highly developed tools might be to keep unions out, as both US parents were argued to be against unions and were classified as 'non-unionist' (see Chapter 8). Subsidiary management policies were therefore aligned with the strategic aims of the ILM approach and labour relations without unions.

7.5. CONCLUSION

This chapter aims to answer two main questions: firstly, whether US MNCs brought any innovative PM and C&B systems to their Turkish subsidiaries by transferring their corporate policies and practices; and secondly, the extent of the hybridisation of transferred policies and practices as a result of the influence of the TBS. It was found that TBS presented minimal legal or cultural constraints on the design and implementation of US MNCs' sophisticated remuneration and PM systems. However some characteristics of the TBS acted as shaping constraints, where the case companies had to adapt their payment and benefit policies to the Turkish conditions. For instance, scarcity of highly educated and qualified employees in the Turkish labour market meant that companies needed to use sophisticated PMS alongside advanced C&B systems to attract and retain scarce local talent. The general corporate policy found across the cases provided the basis for appropriate C&B packages in order to keep a competitive position in the labour market where highly qualified candidates were in short supply. Therefore it is argued that even apparently permissive business systems can require the 'localisation' of the home-country policies transferred as a result of such factors as availability of skills in the host environment.

In this respect, firstly, within the transferred corporate reward policies and systems annual pay increases had to be adapted to the needs of the hyper-inflationary environment. To be able to attract and retain the highly sought qualified workforce, all the case companies were keen on providing attractive C&B packages. Secondly, benefits packages were adapted to the Turkish market, where many 'traditional' benefits that were provided locally by large companies (e.g. bus services, free on-site food services, etc.) were given also by case companies. In addition, other benefits which were offered only by a few of the large domestic corporations and were regarded as essential in this specific labour market to attract and retain the best talent (e.g. private health insurance) were included in US MNCs' competitive benefit packages. These rare instances of discretion given to local subsidiary managements comprised the few hybridised applications. Strong centralisation and standardisation in all other aspects of reward management systems prevailed. Corporate policies of well-defined and continuously updated salary positions in the market, salary structures and ranges defined, and various schemes of performance-linked pay (salary increases, bonuses, rewards, etc.) were meticulously controlled by regional / corporate HQ.

Thirdly, sophisticated PM systems were transferred from corporate parents and applied in Turkish subsidiaries. Highly participatory and results-oriented corporate PE systems were transferred and applied without major 'hybridisation'. Localisation was observed in the few examples of PE systems for blue-collar workers, which were in fact not applied by US companies until recently. Interestingly, these practices were developed in the host-country (by taking corporate PM systems for managerial and white-collar workers as examples) to deal with commitment and motivation issues among blue-collar workers, while keeping unions at bay was another significant reason.

Two significant implications flow from the discussion of the empirical findings on PM and remuneration systems in the US MNCs. Firstly, the core cases examined in detail adopted very similar payment and PM policies and applications, i.e. high-road strategies and sophisticated PM systems where no significant differences were observed according to sector. Secondly, there were no significant differences between the WOS and the IJVs where Turkish JVPs managed the HR function. The latter cases had almost identical and just as sophisticated PM and payment systems reported to be transferred entirely from their Turkish parents. Turkish Holding JVPs had equally strongly ingrained and controlled their policies and applications in these affiliates. In both cases, the level of advancement of C&B and PMS was comparable to those of WOS where US systems were applied.

There are a number of possible explanations for the uniformly observed sophisticated payment and PM systems. The ILM strategy of these firms (see Chapter 6) is argued to be a main reason for the use of competitive payment and benefit structures, applied in tandem with sophisticated R&S systems, to attract and retain qualified but scarce workforce. One would still expect to see some differences between the low-cost/low-skill and high-skill sectors, where in the former US MNCs could have adopted more 'low-road' approaches in a country where unskilled labour was cheap and abundant. In this respect, the cases in this study might have been biased against certain types of firms for a number of reasons. Firstly, large and leading US companies in Turkey were selected for investigation with the assumption that they would have established HRM systems. The assumption and the resulting selection of cases served this purpose, but perhaps led to a rather homogeneous set of cases. Secondly, there were very few cases in the low-cost/low-skill sectors, i.e. TexCO from textile production, HotelCO in hotel, and FMCG1 in packaged food sectors, among the core cases; and FMCG3, FMCG4 and FoodCO among the supplementary cases. In these instances, there were additional, company-specific factors: TexCO was an exceptional case because of its American parent's 'corporate values' and difficult previous experiences in its plants in the underdeveloped labour markets of China, India, etc. HotelCO was also unusual as it was in the high-end of the hotel industry, providing a standardised luxury service to upper-class clientele globally. It therefore wanted to employ higher-skilled higher-educated workforce as much as possible with reasonably low turnover in a sector notorious for its high turnover rates. FMCG1 was in the higher end of a low-skill sector because of its highly automated

production facilities. Thus it needed to attract better skilled and educated labour. Moreover, both HotelCO and particularly FMCG1 wanted to keep unions out, which made low turnover more desirable. Finally, all of these companies had a significant proportion of managerial, white-collar and sales posts, for whom highly-skilled, highly-educated but scarce labour was needed. TexCO for instance considered itself more in the 'fashion garments' sector than 'textile production'. Therefore the sample might indeed be considered biased towards a certain type of US company in Turkey. Had smaller companies in different sectors been investigated, results might have been more diverse.

Selection of IJV cases was also somewhat biased, for similar reasons: leading IJVs in their sectors usually had the leading holding companies in Turkey as their local partners. As already argued (see Chapter 6) Holding1, Holding2 and Holding3 are among the leading Turkish holding companies following and transferring recent developments in management. They use IJVs with partners from different home-countries as learning opportunities. They act as a channel for the introduction of foreign, notably US, management practices into the TBS. Moreover, the Turkish management environment has been going through continuous changes through international consulting and other professional service companies (e.g. auditing, banks and other financial institutions) where domestic companies can learn and adopt new HRM practices and applications relatively rapidly. Combined with the other institutional changes, leading Turkish companies are argued to be moving towards 'internationalisation', i.e. 'Americanisation', in their HRM. Reward and PMS policies and applications found in the IJV cases therefore provided strong supporting evidence for 'pull factors' and 'dominance' effects at the firm level: leading local companies of a developing, 'hybrid transitional' country adopted the most recent HRM systems in PM and remuneration with an effort to keep up with the latest developments particularly in the USA, the most dominant country globally and specifically for Turkey.

Finally, it evidently easier to establish a direct link between home-country influences and transfer of policies and applications for particularly PMS in the core WOS cases. There is abundant evidence in the literature for the transfer of standardised and centralised home-grown PMS policies by US companies to other countries. Findings of this study provide additional supporting evidence. Host-country influences were observed mainly in the application of transferred corporate policies in C&B adapted to the economic and labour market conditions of the TBS.

CHAPTER 8. INDUSTRIAL RELATIONS

8.1. INTRODUCTION

This chapter aims to empirically examine US MNCs' policy and practices in their industrial relations (IR) in Turkey. Two main research questions are addressed: firstly, the extent to which the corporate policies regarding employment relations and practices are transferred to the Turkish subsidiaries, and secondly, the extent and nature of the influences by the Turkish business system on the latter. IR and unionisation issues in particular, as well as participation, communication and welfare matters in non-unionised cases are the substantive issues investigated.

IR is a principal research topic in this study as, on the one hand, it is one of the most significant substantive HR issues, while it is on the other hand, an essential element of any business system which influences the transfer of a wide range of HR policies and applications. As discussed in Chapters 4 and 5, Turkish and American IR systems have significantly different characteristics developed in response to a unique set of historical and institutional arrangements.

The highly distinctive American IR system developed in its own particular NBS. Although the American companies are generally claimed to have taken an anti-unionist stance, the US IR system has historically witnessed both union and non-union approaches. State intervention has generally been very limited, concentrated in the 'New Deal' period, seeking to bring more order and stability to the relationship between labour and employers, while still leaving space for company-led strategies and policies. One significant example has been the 'welfare capitalism' model, i.e. 'a sophisticated and systematic non-unionism', where the company, instead of labour unions or the state, takes care of its employees' material and other interests (Jacoby, 1997). On the basis of available research evidence, it can safely be argued that American companies are inclined to be anti-unionist in their international operations, showing a preference for avoiding collective labour organisations where they can, and minimising their influence where they cannot (Shearer, 1967, cited in Kujawa, 1979; Innes and Morris, 1995; Ferner *et al.*, 2005b). In addition to non-unionist tactics, US companies are also known to use various innovative methods, developed to gain labour's commitment while keeping unions at bay (Foulkes, 1980; Beaumont and Townley, 1985).

Although its history is brief, the Turkish IR system has gone through various phases, as a result of changes in economic, political, and institutional factors at both national and transnational arenas. It is now argued to provide a permissive environment for employers, where trade unions seemingly have lost most of their power particularly in comparison to their position in the 1960s and 1970s (Koç, 2006; Nichols and Sugar, 2004). With much less power for negotiation, unions have mostly adopted

cooperative relations with the employers, demonstrating moderate behaviour for 'mutual gains'. While the rate of unionisation is quite low, particularly in foreign-capital companies (Koç, 1999b) unionised labour relations still continue in a few US companies, examples of which are included among the case studies in this research.

Given these features of the Turkish IR system, where unionism and collective labour relations have in fact significantly different meanings, and the general tendencies of American MNCs developed and supported within the home-country business system, the latter's applied strategies and policies in collective employment relations provide an important focus for the examination of host-country influences on the transfer of management policies. To this end, unionisation policies and applications in the case companies are investigated considering the influences of parent-company and host-country business system.

As a background for the analysis of IR in Turkey and particularly in the case companies, this chapter begins with an analysis of power in the IR literature. Sources of latent power for the relevant actors, i.e. trade unions, employers and the state, and their manifestation in the Turkish IR system are discussed within the framework of the literature. The respective power of unions, employers and the state has a profound effect on the environment in which American companies apply their unionisation policies in their Turkish subsidiaries. Empirical findings on these policies and applications are discussed in the next section. Innovative HR techniques in communication and participation employed by the non-union case companies to gain the commitment of their labour are presented in the last section.

8.2. POWER IN INDUSTRIAL RELATIONS: LABOUR UNIONS, EMPLOYERS AND THE STATE

8.2.1. THEORETICAL FRAMEWORK: POWER IN IR

Power is a principal concept in politics, sociology, and economics, as well as in IR. Despite an extensive and diverse power literature in politics (and to a lesser extent in sociology and economics), it is argued that power has not been put through conceptual analysis or extensive empirical research in IR (Martin, 1992; Kelly, 2000). Although it is widely used in IR, power remains as one of the least theorised and researched concepts. Kelly (2000) claims that conceptualisation of power and power resources of workers, employers and states is a major problem. Among the significant problems in conceptually analysing power in IR are the definition, sources and manifestation of its exercise, levels of analysis, and measurement (Poole, 1986; Martin, 1992). Martin (1992) claims that a principal reason for the lack of research into bargaining power in IR is related to these problems, particularly the

difficulty of measurement. In his review of IR literature where power has been discussed at all, Kelly (2000:10-13) finds that union power is measured mainly in four ways: by using proxy measures (e.g. union density, bargaining coverage, strike frequency), by reference to structural determinants or correlates (e.g. product and labour markets, strategic position of workgroups in the production process, degree of labour substitutability, etc.), by examining the outcomes of bargaining, and by reference to subjective variables (e.g. 'willingness to act' or 'readiness to strike').

In an attempt to theorise power relations in IR, Poole (1986) argues that participation of workers in decision-making at several levels (i.e. from individual 'on the job' level to enterprise, industry, and economy levels) to obtain greater control over various aspects of their working lives is the major manifestation of workers' power, i.e. 'manifest power' (p.16). Poole's (1986) model involves workers' participation and control as the *manifest* power, which is the reflection of the *latent* power. He proposes that developments in workers' participation and control

"can largely be attributed to differences in the latent or underlying strength of the main industrial classes, parties and groups" (Poole, 1986: 29).

Underlying or *latent* power is argued to be shaped by the major structural factors, i.e. economic factors (employment levels, profit margins, competition levels, industrial concentration, periods of economic 'disintegration'), technological factors ('technical scale' of the technology in a company, degree of complexity and education involved in any given task, micro electronic revolution), and government action (legislation on labour issues, its intervention in the economic system). Manifest power (i.e. workers' participation and control) is both influenced by and also influences specific values, which are in turn shaped by cultural and ideological factors. A similar reciprocal relationship between manifest power and values is claimed between cultural and ideological factors and structural factors. Although Kelly (2000) claims that Poole's (1986) framework is an example of 'multifactor hypothesis' models that involve such an enormous range of variables that it is difficult to identify which ones are more important or why, the model can be used to explain most important structural variables that influence workers' underlying power, which in turn is manifested in workers' participation in decision-making. By considering the influence of structural factors on workers' latent power, and values of these different groups of actors, Poole (1986) examines various direct and indirect participation forms initiated by managements, workers, trade unions, and governments.

The bargaining power approach by Martin (1992) has many similar elements to Poole's model (1986). Martin (1992) also bases his model on how successfully the parties involved, i.e. management and labour, convert their latent power into bargaining power. It comprises comparable elements, i.e. environmental factors; values, beliefs and objectives; organisation; processes; and outcomes. Latent power is claimed to be based on the control of relevant resources available to each party, which are determined by the environmental factors, equivalent of structural elements in Poole's model (1986).

In Martin's model (1992) these are examined under three main categories: firstly, economic elements, i.e. product-market and labour-market factors; secondly, 'operating system' variables, i.e. size, technology, and payment systems; and thirdly, non-economic contextual factors, i.e. political and judicial framework, the media and public opinion, and ideology. It is claimed that latent power is in turn converted into bargaining power in accordance with each party's respective values, beliefs and objectives. The outcomes of the bargaining process are determined by the latent power of the parties and their success in turning, i.e. mobilizing, it into bargaining power in reaching their objectives. Kelly (2000) claims that the impact of 'structural' or 'environmental' variables on the balance of power is far from obvious, although he acknowledges that these structural variables may facilitate the exercise of power while they *'do not necessarily generate any awareness of the 'possession' of power or provide the motivation to use it'* (p.11).

In a more recent theory of power in IR, Kelly (2000) redirects attention to social processes to explain how individuals are converted into collective actors willing to create collective organisations and act collectively against their employers. Whereas the above theories by Poole (1986) and Martin (1992) focus on structural variables and institutions to explain power relations between the main actors, mobilization theory offers both a general and a more specific framework to investigate the process (Kelly, 2000). The general framework consists of five main conceptual elements, i.e. interests, mobilization, organisation, opportunity, and the forms of collective action. The core concepts in the specific framework are injustice, attribution and identity, which provide the explanation for the emergence (or not) of collective interest definitions. Employers and management, unions and workers, and governments are generally agreed to be the primary groups involved in IR, where the latter has a significant capacity to influence the employment relationship through legislation.

This brief literature review presents a few of the most relevant issues and models developed to understand the various factors and processes involved in the power relations between the main parties. In the next part, power relations between trade unions, employers and the state in Turkey are examined within the framework of the three models by Poole (1986), Martin (1992) and Kelly (2000) discussed above. This analysis is then used as the macro level institutional framework to explain how IR policies of US MNCs are influenced by the TBS by considering also sectoral and firm-level variables.

8.2.2. ENVIRONMENTAL / STRUCTURAL FACTORS IN THE TURKISH CONTEXT

In this section, power relations between the three major actors, i.e. the state, employers and workers, in the Turkish IR arena are discussed within the framework presented above. According to Poole (1986) and Martin (1992), environmental / structural factors provide the resources that the major actors can mobilize, i.e. the latent power that can be turned into manifest power. The most significant of such

environmental / structural factors in the Turkish context include: *i)* changes in the economic and political systems; *ii)* government's direct and indirect influences through restrictive legislation and executive action; *iii)* privatisation; *iv)* changes in the composition of the workforce; and *v)* the role of employers' associations, are discussed to investigate the potential latent power of unions.

8.2.2.1. Changes in the Economic and Political Systems

As discussed in Chapter 4, Turkey has gone through various economic and political systems, which have influenced the elements of the business system, including IR. The most recent and striking of these changes has been experienced since the early 1980s particularly in comparison to the period between 1960-1980. Global economic deterioration hit Turkey hard in the 1970s, which coincided with ideological and social turmoil. Political and social instability resulted in the third military intervention in twenty years in 1980. Turkey experienced yet another change in its economic system in a very similar direction as some other countries such as Britain towards a liberalised, export-oriented, outward looking and very pro-private sector economy. While the employers within the highly protected import-substitution environment had fewer concerns about collective organisation of labour and particularly labour costs, they became deeply concerned about these issues within the stringent competitive conditions they faced domestically and globally in the unprotected export-oriented environment. Pro-business governments started to emphasise the dominance of market principles in IR and showed their support through restrictive, even suppressive, legislation and its application, by using executive action when necessary.

8.2.2.2. Restrictive Legislation and Executive Action

The Turkish state's influence on the legislative environment for collective action has been inconsistent throughout the various economic periods. Labour was first introduced to collective organisation by the government and helped to get organised in the public sector. In the decade between 1961-1971 marked by two military interventions, trade unions experienced the most liberal legislative period. During this period, new trade unions were established by those who left Türk-İş on the basis of ideological differences. Trade unions were able to organise widely in both the public (especially Türk-İş) and private sectors (especially DISK), within the protected economic environment. The tolerant period was curtailed by the suppressive practices of the military intervention in 1971. However, the relatively moderate legislation continued. Unionisation and wages in the non-agricultural sectors in Turkey reached their peak in the 1970s: real non-agricultural wages had risen 50% and number of union members by five times (Nichols and Sugar, 2004). The military intervention in 1980 however completely obstructed collective labour organisation and action in Turkey, together with other collective organisations such as political parties, associations, etc. During

the first three years, no collective organisation or activity was allowed for trade unions. Later the new legislation brought a very suppressive environment for labour unions. The state is claimed to have used its power to make it extremely difficult for trade unions to organise and mobilize collective action. Trade unions had to start organising almost from scratch, where the new rules were very discouraging, such as industrial and company-level thresholds as well as other restrictive (e.g. choice of enterprise vs. workplace given to employers) rules in the legislation (see Chapter 4) make it easier for companies to hinder collective organisation and not to recognise trade unions.

8.2.2.3. *Privatisation*

Although not as widespread as elsewhere e.g. in the UK, privatisation has been at the top of every Turkish government's agenda since the 1980s. It has been slowly introduced and subsequently achieved only in specific sectors and SOEs. Trade unions have consistently been against privatisation, fearing the resulting job losses and more specifically considerable reduction in their member levels, as the public sector has been their (particularly Türk-İş's) strongest 'fortress'. Despite commonly experienced downsizing and/or de-unionisation before or after privatisation, unions have not been able to mobilize widespread public and labour interest and opposition against privatisation. In fact, the public in general have been in favour of privatisation, as SOEs were claimed to be over-staffed as a result of political decisions rather than economic rationality.

8.2.2.4. *Changes in the Composition of the Workforce*

Between 1960-1980 when industrialisation started to develop in Turkey, scarcity of labour was experienced. It was still mainly an agricultural society where 'being a labourer in industry' was not highly regarded in the society and the significance of benefits that paid employment brought (e.g. social security, health services, retirement pensions) had not been yet realised. Emigration of large number of Turkish workers from rural areas to various European countries as 'guest workers' contributed to the shortage of workers even in unskilled jobs.

In contrast to the scarcity of labour experienced in the 1960s and 1970s, unemployment has been rising since the 1980s to dramatic levels: officially announced unemployment rate is around 12% but the actual figure is argued to be considerably higher because of the large informal sector and unpaid family employment in agriculture, although solid evidence cannot be provided. Due to internal migration of especially unskilled uneducated people from rural to urban areas since the 1980s, as a result of social unrest experienced in the eastern and south-eastern parts of Turkey, a high rate of population increase, and a shift from agricultural production, there is now an abundance of unskilled and low educated workers in large urban areas which has contributed to the high unemployment

figures. Illegal, unregistered employment is widespread in many industries, such as textiles, food, hotel and construction, particularly in micro and small enterprises, as the government turns a blind eye on these applications.

While a high rate of unemployment and informal employment prevail among unskilled untrained workforce, scarcity of highly skilled labour continues. Employees and trade unions in the industries where the required level of skills and education is low have much lower power than those in industries where higher qualifications are required. Skills shortage in high-skill industries augments trade union power and increase union density in some industries (e.g. metalwork). It is more difficult to secure and retain union density in low-skill high unemployment sectors, e.g. textiles, hotels and entertainment.

8.2.2.5. *Employers' Associations*

In Turkey employers in many sectors (e.g. metal, textiles, chemicals, petrol and tyre) are organised at the industry level to collectively represent their member companies. Unlike trade unions, employers' associations are not subject to strict legal restrictions. Their management boards consist of veteran employers and managers in these sectors. Industry-wide collective bargaining between labour unions and employers' associations are common practice in many sectors, where collective agreements that cover all the member companies and employees are signed for usually two years. Employers' associations are agreed to be very strong against the trade unions that are extremely restricted by the legislation. Being a member of strong employers' associations is among the factors that increase employers' strength in collective labour relations.

8.2.3. *MAJOR ACTORS AND POWER ISSUES IN TURKISH IR*

Given the structural-economic factors that influence union power, the above discussion reflects that trade unions in Turkey experienced their most powerful period between 1961-1980, manifested in their ability in securing high unionisation density, organising and participating in various types of collective action (strikes, walkouts and demonstrations), achieving an increasing number of strikes, and participating in collective bargaining (Nichols and Sugur, 2004). It is argued that trade unions, particularly those affiliated with DISK that have close connections with left-wing political parties and a strong ideological stance, were able to mobilize working people for the first time on such a large scale, during the two decades from 1961 to 1980, based on the perceived injustice by employers and the state (governments). The seeds of this extensive mobilization were sown from the late 1960s, within the liberal and relaxed political and legislative environment of the 1961 Constitution. The first counter-mobilization attempt by the state was in 1971, when the military gave a 'warning' to the

government, which had to step down and was replaced by an 'impartial' one until the next elections, and an extensive campaign of investigation and imprisonment was conducted against intellectuals, politicians, and also trade union leaders. Although this slowed down the mobilization of labour at the beginning, it lasted only for a short time. The rest of the 1970s saw the most widespread labour mobilization in Turkey. But it was stopped in a very harsh way, unlike elsewhere, by a fierce military coup in 1980. The society as a whole was suppressed in the following years, and left de-politicised.

Thus counter-mobilization efforts of the state were exercised through, firstly, legislation and the judicial system (i.e. restrictive laws for collective organisation and bargaining, reflecting the preferences of employers), and secondly, executive action which created a very suppressive environment (i.e. lengthy investigations, torture, trials and imprisonment). The counter-mobilization against labour and trade unions by the state through such harsh methods was pursued during an economic system change in Turkey while similar changes had been experienced in many other countries. It was an appropriate environment for employers to introduce and adopt HRM, some policies of which can be used as counter-mobilization tools, according to Kelly (2000).

Changes experienced in the environmental factors had considerably weakened the positional, organisational and political power resources available to trade unions: union density fell; strikes became unheard of for a long time; real wages were reduced by large ratios in comparison to those before 1980. This decline in the latent power resources consequently led to a decline in trade unions' manifest power. Within this suppressive environment, some confederations and their affiliated trade unions were driven towards a cooperative model where labour and management collaborate for mutual gains. It is argued that Türk-İş, established with extensive support from the government and had its largest membership in the public sector, *'has had a pragmatic stance towards political parties, shifting with the political tide'* (Nichols and Sugur, 2004:157). Although there are also left-wing and more aggressive unions affiliated with Türk-İş (notably the Petroleum, Chemical and Rubber Workers' Union, Petrol-İş) in general Türk-İş unions are claimed to have a moderate stance and collaborative approach. Together with Hak-İş affiliations, these unions appear to have accepted the argument that if unions offer cooperation in collective agreements and leaving management to managers, then they are more likely to get concessions from managements in return, namely recognition, influence in decision-making, and most importantly higher wages and benefits for their members. It is claimed that a deep sense of union weakness and decline, as a result of long periods of economic recession, right-wing governments and anti-union legislation, lies underneath this cooperative approach (Koç, 2006). Having to survive under hostile circumstances, most of the Turkish trade unions, particularly those affiliated with Türk-İş and Hak-İş, found it necessary to adapt to the new situation by looking for common or similar objectives with those of employers as they were in no position to challenge the latter's priorities and interests. It needs to be noted here that Türk Metal, an affiliate of Türk-İş and

the biggest union in the metal industry (also the one in AutoCO1 and AutoCO2 in this study), is proclaimed to be the union '*most willing to compromise with the government and employers*' and to accommodate management initiatives '*to protect the established representative cartel of the union in the metal and manufacturing industries*' (Büyüksülu, 1994:244-45). In other words, many unions in Turkey have tried to compensate for the loss of organisational and political latent power resources through cooperative relations with employers and managements.

In the above section, IR in Turkey is reviewed within the framework of power issues and actors involved. It is argued within this framework that Turkish labour unions have very limited latent, and even less manifest power. This significant host-country factor allows companies, including foreign-capital ones, to pursue their own goals in employment relations: if they want to avoid unions, they can. It is therefore concluded that unionisation in a firm in Turkey depends almost entirely on the attitude of management. Collective labour relations in the case companies are discussed within this framework in the next section. The most significant questions are whether unionisation or non-unionisation was a home-grown corporate policy transferred to the Turkish subsidiary; and how these policies were applied.

8.3. COLLECTIVE LABOUR RELATIONS IN AMERICAN MNCS

Among the companies studied there were two main attitudes: non- or anti-unionist and union-friendly. The absence of constraining influences from the Turkish IR environment was evident, allowing US employers to easily transfer their non-unionist corporate attitude. Although some indication of occasional use of rough tactics to de-unionise or to keep unions out was found, it was essentially a union substitution rather than union suppression approach. Use of innovative methods of compensation (see Chapter 7) and participation, to increase and secure employees' commitment, combined with ILM approaches (see Chapter 6) and an ideological opposition to unions suggest the application of an approach similar to 'welfare capitalism' in their Turkish subsidiaries. Ideological non- or anti-unionism and employment relations in these cases are discussed first in the next section.

8.3.1. NON- OR ANTI-UNIONIST ATTITUDES

8.3.1.1. Philosophy: Reasons for Non- or Anti-Unionism

The analysis of the de- or non-unionised case companies revealed that they shared some common features. Firstly, they claimed that it was their employees' preference for de-unionisation or staying non-unionised. They would have happily cooperated with a trade union, as long as unionisation was

officially achieved according to the legislation as a result of employees' choice¹¹⁴. The HR manager at FMCG2 emphasised this policy when he talked about the unsuccessful unionisation attempt at their greenfield site by Tek Gıda-İş:

"It was the employees themselves who resisted the union and if it had been our employees' wish to get unionised we would have nothing against it but simply respect and accept. Respecting our employees' preferences [*in unionisation*] is a strict corporate policy with which we have to comply at the subsidiary level; otherwise we would experience serious problems with the headquarters."

Secondly, these cases shared a similar corporate 'philosophy' of 'avoiding unions if they can'. As stated by the HR director at the European business unit level, IR policy in FoodCO was '*generally, like in other companies, if we can keep the unions out, we prefer that*'. This was a common statement across the non-unionist cases by HR directors at regional corporate level, while at the Turkish subsidiary level, the interviewees generally emphasised no corporate policy about unions and IR, and were not willing to discuss collective employment relations issues.

The interviewees in these companies (both at the subsidiary and regional HQ levels) presented a strong unwillingness to share their managerial prerogatives. At FMCG1 for instance the main issue for the management concerning unionisation was:

"Not being able to directly communicate with our own employees, having to go through a third party, even for managerial issues, which are within our [*the management's*] own domain that we do not want to share with the union"¹¹⁵.

This company's previous GM similarly complained:

"With the union there you had to go and ask the union's permission and also the time the union required, stringent conditions for us to apply these things. This is the company, these guys [*the management*], they have a say in it, why do they have to ask the permission of the union?"

In FMCG1 even when the trade union was very supportive of the training programmes and direct communication between employees and management had started for a new workgroup arrangement, management objected to the union's requests to be consulted first before the arrangements were made. The HR Director claimed that the union officers would '*cause problems even for small stuff that were not a big issue and could be agreed quickly on the spot*' while the real issue was the resistance of the management to share its managerial power with the union. The previous GM argued that:

"You cannot possibly establish a culture in the company without having direct interaction with the employees. You cannot. Mediators between you and your employees just suggest that, they don't really work for you."

¹¹⁴ Interview with HR Director, FMCG1

¹¹⁵ Interview with HR Director, FMCG1

This strong attitude against trade unions could be seen as the application of FMCG1's corporate 'philosophy', which was confirmed at the European regional level, while at the subsidiary level, it was not put as explicitly:

"We as a company will behave towards employees with integrity, respect and openness but we believe that we do not need a third party or a go-between person. So we believe in a direct relationship between the employee and the manager."¹¹⁶

Thirdly, management in these cases shared a strong belief that their employees would in fact never prefer to be unionised, because they were already provided with very good financial terms and conditions. The following quote by the HR manager at FMCG2 reflected the common arguments of management across non- or anti-unionist cases:

"It was our workers who did not want a union, because they already had much better conditions than they would have, had they been unionised. So why would they want a union? What more could a union bring?"

Similar managerial attitudes and corporate 'philosophy' were observed at HotelCO. During a unionisation attempt, favoured and supported by the Turkish owner of the hotel premises, HotelCO management did not take any action against the union as it was HotelCO's unchallengeable corporate rule of "*not being against unions in principle and always respecting our employees' preference*"¹¹⁷. However, HotelCO management were forced to become involved in the end, because there "*was an illegal attempt by Oleyiş*"¹¹⁸, and it was against our workers' will"¹¹⁹. It was however clearly understood at the European regional HQ that HotelCO had the same 'philosophy' as FMCG1 and FMCG2 of '*avoiding unions at all costs and making sure that the employees trust us*'¹²⁰.

At PharmaCO1, another de-unionised case, the process of de-unionisation was somewhat different. In the first instance USPharma insisted on de-unionisation of the plant as a precondition for the formation of the IJV from the brownfield company. Both the local subsidiary management and the union were apparently convinced that the main reason for de-unionisation was '*high labour costs*'¹²¹. PharmaCO1 in Turkey is a manufacturing outfit rather than a R&D unit, and there exists a substantial element of labour in production¹²². Moreover, firstly, Petrol-İş (the union in PharmaCO1 before de-unionisation) is one of the most aggressive unions in Turkey, which is successful in obtaining good terms and conditions. Secondly, pharmaceuticals is one of the highest paying sectors in Turkey¹²³. Considering these factors, USPharma might have indeed argued for de-unionisation on the basis of

¹¹⁶ Interview with OMD Director at EMEA HQ, FMCG1

¹¹⁷ Interviews with HR Director, GM and HR Director at EMEA HQ, HotelCO

¹¹⁸ The trade union that attempted to get organised

¹¹⁹ Interviews with (subsidiary and area) HR Director and GM, HotelCO, and Toleyiş union officer.

¹²⁰ Interviews with (subsidiary and area) HR Director, GM, and HR Director at EMEA HQ, HotelCO

¹²¹ Interviews with PharmaCO1 HR Manager, Assistant HR Manager, previous HR coordinator and current HR manager of the Turkish Holding parent, and union officials

¹²² Observations during the factory visit

¹²³ The average net monthly earnings in the sector, as announced by the Confederation of Turkish Employers' Associations, is 2,314 YTL at the ongoing US\$ exchange rate of 1.35, that is around US\$1,700

high labour costs, given its highly sensitive and closely controlling approach towards financial issues¹²⁴. Whether it was the high costs or USPharma's anti-union corporate policy, it was evident that de-unionisation was not the Turkish JVP's choice: a number of Holding-level managers clearly indicated that Holding3 did not have an anti-union stance or policy. Holding3 is known to be one of the most socially responsible, labour-friendly and pro-union holdings in Turkey, for which previous unionisation at PharmaCO1 and continued unionisation in Holding3's other pharmaceuticals company and in others in different sectors can be considered as evidence.

Lastly, IR was generally left mainly to the subsidiary managements, apart from the general corporate philosophy or attitude towards unionisation. In the non- or anti-union cases, de-unionisation, keeping unions out, etc. were handled by the local management according to the local rules and conditions. At PharmaCO1 HR/IR was managed by the Turkish JVP Holding3 while USHealth did not interfere. At HotelCO and FMCG2 there were regional IR Directors to '*oversee IR issues*' while at FoodCO the European HR manager had verified that IR issues were left to the local subsidiary managements:

"We don't have a European expert on industrial relations, or [a] global expert. Not even within a business unit, because it is really country specific. Corporate or regional HQ are not involved in collective agreements or bargaining, or any strike issues, which is pretty much done locally."

In brief, it is argued that FMCG1, FMCG2, PharmaCO1, HotelCO and FoodCO¹²⁵ shared a philosophy of avoiding unions. Except FMCG2, these companies made principled statements of opposition to unions and indicated a corporate policy of non-unionism, while at least on the surface FCMG2 adopted a different IR stance from the other companies. Taken at the face value, interviewees' accounts¹²⁶ indicated that the formal corporate policy of USFMCG2 was to respect workers' preferences with respect to unionisation. FMCG2 seemed to be willing to adapt to the national IR climate and they were not opposed to trade unions, at least in principle. However this policy was later belied by the management's response to efforts at unionisation in its Turkish operation (discussed below). Considering various interviewees' accounts at the subsidiary and Holding2 level that indicated USFMCG2 was fully in charge of management at FMCG2 and that Holding2 did not interfere with management¹²⁷, and other evidence for an ideological non- or anti-unionist stance, FMCG2 is considered among the cases with a US corporate policy against unionisation.

¹²⁴ Interviews at the local subsidiary and Holding3

¹²⁵ FoodCO had one hazelnut processing plant at the time of the fieldwork that was still unionised, which is discussed separately later. Nevertheless FoodCO is considered anti-unionist, by looking at the evidence collected, at European HQ and Turkish subsidiary levels.

¹²⁶ Interviews with HR Manager and (expatriate) GM, FMCG2

¹²⁷ Interviews with HR Manager, HR Director, FMCG2, and HR Coordinator, Holding2

8.3.1.2. De-Unionisation and Non-Unionisation: Power, Relations and Tactics

Bearing in mind the fact that the power of trade unions within the discussed circumstances of Turkey in general is not very high, the relative power of the unions involved in the de- (and non-) unionisation cases changed according to their sector and their density at the national level. For instance, Öz Gıda-İş, at FMCG1, owing to the skill and education level requirements and its density in the food sector, is not among the stronger unions in Turkey. Although this is entirely the researcher's speculation, the reason it was able to get organised in FMCG1 initially might have stemmed from the shared ideological belief (i.e. conservative Islamist) between the union (and its affiliated Confederation, Hak-İş) and the original Turkish owners. Tek Gıda-İş on the other hand is the strongest union in the same (i.e. food) sector and also among above the average power level category in Turkey, as it has the highest membership level in its industry (including organisation in the SOEs, e.g. tobacco processing) at the national level. The two unions in the hotel industry, Oleyiş and Toleyiş are among the weaker ones in Turkey, mainly because of the low level of skills and training needed in this sector, coupled with abundant supplies of such labour. The most powerful union among the de-unionisation examples is Petrol-İş, the then authorised union at PharmaCO1. As indicated above, as one of the most aggressive and demanding unions in Turkey, gaining its strength from the high level of skills and education required of workers in this sector, it has always '*negotiated tough*' and secured very good terms and conditions in the companies it had been organised¹²⁸.

Management-union relationships in the de-unionised cases of FMCG1, FoodCO and PharmaCO1 were described by both management and union officers interviewed as '*neither friendly nor hostile*'. The following quote by the HR Director of FMCG1 summarised the situation in all three companies where the relations were typical of a '*classical Turkish union-management relation that starts and ends with the collective bargaining period*'. Although there had been a few reported incidents of conflicts, e.g. work stoppages and strike threats, collective bargaining processes were usually concluded without too severe confrontations at FMCG1 and FoodCO. Both Öz Gıda-İş and Tek Gıda-İş were not in powerful positions against employers, therefore they had struggled hard to get the best financial terms they could. Even at PharmaCO1 management-union relations were reportedly mild in general, despite the aggressive and tough stance of Petrol-İş as one of stronger Turkish trade unions.

It is therefore argued that the power level of trade unions in the host-country barely made any difference if the company decided to de-unionise (or stay non-unionised), particularly on a 'philosophical' basis. The ability of the management to take advantage of the legal framework was decisive, even in the case of unions (i.e. Petrol-İş) with higher sources of latent power, which they

¹²⁸ Interviews at Petrol-İş

were not able to mobilize. The interviews with Tek Gıda-İş, Öz Gıda-İş and Petrol-İş indicated that the managements' attitude in the case companies was determined and the unions were not able to negotiate for the continuation of unionised labour relations. Considering that some of the stronger Turkish unions were able to mobilise their power through strikes particularly during the first half of the 1990s, it was interesting that the interviewees in this study indicated that *'when the company decided to de-unionise by using the legal flexibility, there was nothing to do for us but leave the company'*¹²⁹.

For de-unionisation, US MNCs preferred to take advantage of the restrictive legislation, used in combination with other 'persuasive' methods, where they *'played it by the book'*¹³⁰. Along with their company 'philosophy' of respecting their employees' preferences, the interviewees emphasised that they deliberately refrained from aggressive or coercive methods. For de-unionisation, in all three case companies, i.e. FMCG1, PharmaCO1 and FoodCO, the most straightforward method was employed first, i.e. changing from 'workplace' to 'enterprise' status¹³¹. Managements also used other tools that were also legal and used widely in the Turkish IR arena. For instance, at FMCG1 and FoodCO, some blue-collar technical workers (e.g. foreman, supervisor etc) were transferred (which mostly included promotions) to 'technician' positions, with accompanying better compensation packages, either because these positions cannot be union members or as an inducement for employees to annul their union membership. At FMCG1, using this legal approach was in accordance with another unchallengeable corporate policy, i.e. *'strictly following the local labour laws and any legislation in this respect'* emphasised by interviewees at all levels. With the change in its status to 'enterprise' (i.e. increased number of total employees in the calculation) and the increase in the number of positions in the plants that could not be union members, union density went down to 48% in FMCG1, from its previous levels of 100% among blue-collars, 80% at the plant, and 60% at the company level¹³². However when Öz Gıda-İş took it to the industrial court to be decided whether or not the union could have the authorisation certificate, the (HR) management decided to talk to their plant workers directly:

"As you know, your union does not have the authorisation certificate any more to represent you in collective negotiations while the tribunal continues. If they can get their eligibility back and if you decide to continue with them, as an American company duly respectful for our employees' rights and choices, we will continue to collaborate with them and we are ready to sit down for collective bargaining. However for the time being, according to the legislation, they are not authorised until the issue is solved at the court. We as a multinational company who cares for its employees as a part of its global corporate policy do not want to see our employees struggling. However it might be an indefinite period of time before all of this can be settled, and the management cannot negotiate directly with workers while the issue is at the court and it can actually take

¹²⁹ Interviews at Petrol-İş, Tek Gıda-İş and Öz Gıda-İş.

¹³⁰ Trade unionists' accounts

¹³¹ According to the law, companies are given a choice to be regarded either as a 'workplace' at its various plant(s), headquarters, sales offices etc. separately, or as an 'enterprise' which includes all employees in the whole company (i.e. all blue- and white-collar employees in various parts of the company. See Chapter 4.

¹³² Interviews with FMCG1 HR Director and Union official

years to sort out¹³³. But if you end your union membership, we can then offer our terms and conditions directly to you. If in the meantime, a positive decision for your union comes from the court, we will respect your decision if you want to continue with your union at that time.”

Workers at FMCG1 in the end terminated their union membership as they needed to receive increases in the hyper-inflation environment prevailing at the time to continue earning their living. But the management refused to discuss the issue with them while they were still union members, as this would have been a breach of the law. The only way out for workers was ending their collective organisation and Öz Gıda-İş had to leave, as there was not anything they could do.

Another widely used legal tool was employed at PharmaCO1 for de-unionisation, i.e. utilising sub-contracted workforce who by law cannot be union members. Although the proportion of contracted labour cannot be more than a certain percentage, it was adequate to reduce the union density in the company below the required level. Consequently Petrol-İş lost its authorisation in a perfectly legal way that could not even be challenged, despite being one of the strongest trade unions in Turkey. The plant was de-unionised through de-authorisation of the existing union. PharmaCO1 continued to use a sub-contracted workforce subsequently, to prevent any union from getting organised, although the management claimed that they treated sub-contracted workforce just the same as their own payroll workers¹³⁴. PharmaCO1 did not make as much effort as FMCG1 to ‘convince’ its existing employees to resign from the union by showing that the management would provide them much better conditions without the union in place.

In almost exactly the same way as with FMCG1 and PharmaCO1, Tek Gıda-İş at FoodCO’s sweet and starch plant was de-recognised after production was moved to a brand new plant somewhat outside the most industrialised region (although unionisation in its much smaller hazelnut plant continued, which is discussed below). The firm changed its status to the enterprise, and promoted workers to higher positions where they could not be union members, and when the total number of union members went below the company threshold level, the union tried to negotiate for their continued existence with the management but the latter did not accept. So Tek Gıda-İş lost its authorisation certificate, as a result of a completely legal and not negotiable action by the management. Eventually all workers resigned from membership and the plant was de-unionised. Although there was not much the union could do legally, it could have mobilised its members and its national organisation for negative public reaction, especially because there has been an on-going debate and then legal action against FoodCO’s new sweet and starch factory about the legal approval for its location. FoodCO had had strong negative public reaction for other issues with the government, so more damaging publicity about de-recognising

¹³³ It still continued at the time of the fieldwork

¹³⁴ Interview with HR Manager of PharmaCO1

the union could have been unwelcome. However the trade union was not able to mobilise any union or public action against the management.

When we look at the de-unionisation instances in these cases, a number of common points emerge. Firstly, collective labour organisation was established before the US parents came onto the scene. Secondly, all three had the same corporate ‘philosophy’ of *‘avoiding unions if they can’*. Thirdly, given the relatively weak power of trade unions within the TBS, particularly the restrictive legislation, it had not been too difficult to de-unionise in any of these cases by using legal tactics.

However there is also evidence for the use of coercive methods by local management if they perceive a risk of unionisation. There had been an organisation effort by Tek Gıda-İş at FMCG2, which had caused quite some controversy. However the HR manager mentioned it as a very insignificant issue:

“We had heard that some union officials tried to contact our workers but had not been successful. We heard that they [union officials] said that each time they tried, it felt like banging your head against a brick wall – our workers were not at all interested.”

Interviews with a previous HR director and union officials, who had been involved in the issue at the time, however painted a different picture of the company’s reaction. The strict US corporate policy of respecting their employees’ choice and local labour legislation in every country has been contradicted by the management’s reaction in the Turkish subsidiary. The union officials indicated that they were met by a very harsh reaction from the management when they first attempted to get organised in this plant. Those employees who had become members were laid off, as a threat to the others. Holding2, the Turkish JVP, which was not involved in management of the company with its minority share in the IJV¹³⁵, had been involved in solving this ‘crisis’. It brought a ‘think-tank’ together at its headquarters and lobbied at the highest levels of the government to stop the unionisation efforts. The union eventually took the matter to the ILO¹³⁶ and asked for support from other international trade union organisations *‘but was isolated nationally and internationally’*¹³⁷. Given the power of the leading US MNC and prominent Holding Turkish JVPs against that of the union, there was not much Tek Gıda-İş could do within the restrictive legislative environment, pro-business state and judicial system but give up trying to get organised at FMCG2. Some of the evidence presented by trade union officials cannot be verified (e.g. lay-offs, severe behaviour etc) but they suggested that in the face of the possible ‘threat’, FMCG2 management did not refrain from exercising coercive methods that were in fact illegal and against the US corporate policy. This raises a question about how far the anti-union response was driven by Holding2, the Turkish partner, as opposed to USFMCG2. There is strong evidence that FMCG2 was managed entirely and controlled closely by the majority JVP USFMCG2,

¹³⁵ Confirmed by FMCG2’s HR manager and Turkish parent’s HR coordinator

¹³⁶ Application to the ILO confirmed from trade union records

¹³⁷ Interviews with union officials at Tek Gıda-İş

where Holding2, as the minority partner, was involved only in strategic issues. It was for instance instrumental in establishing good relations with the government and lobbying for legal changes necessary for the operation of FMCG2 in Turkey. In this unionisation incident, Holding2 was reportedly called for help, as indicated above. Although Holding2 is not known for a particularly positive attitude towards unions, it is still quite unlikely that non-unionisation was driven entirely by it. Considering the evidence available, it is therefore argued that USFMCG2 had a non-unionist attitude.

8.3.1.3. Keeping Unions At Bay

In addition to driving unions out, managements needed to keep them at bay. As mentioned above, one of the shared beliefs in the non- or anti-unionist cases was that the company would provide its employees with everything a union could have bargained for so that the employees would never feel the need for collective action to ask for more. At FMCG1 and FMCG2 particularly, and at HotelCO to some extent, paternalistic and high road approaches together with innovative tools and methods were reportedly applied by the management to gain and secure the commitment of employees.

At FMCG1 for instance management helped the plant workers and their families during the earthquake disaster in 1999 (when the company was still unionised) that caused terrible damage in the region. Management argued that their dedicated support and help in the aftermath of the disaster when *'the union was nowhere to be seen'* had been a very significant factor for the workers when it came down to making a choice between the union and the management in the de-unionisation process¹³⁸. This account, enthusiastically repeated by a number of interviewees at different times, sounded as though management might have cleverly manipulated the situation by using any opportunity they could to present and promote their image among its workers. This interpretation has gained significance especially after understanding that de-unionisation was decided in 1998 in the 'Strategic Labour Plan' to be attained by 2000¹³⁹. Management's behaviour during this disaster was therefore consistent with a wider strategy (de-unionisation) as a result of a corporate 'philosophy' (*'in a company like FMCG1, that provides everything for its employees, we don't need a third party that impairs our communication with our employees'*¹⁴⁰).

FMCG1 management had initiated extensive direct communication with labour at the plant before starting the de-unionisation process, through regular meetings, e.g. monthly and quarterly meetings with the HR Director, 'roundtable' meetings with the GM, and a global corporate employee satisfaction survey in which blue-collar workers were not previously included. Moreover, at the start-

¹³⁸ Interviews with HR Director and GM, FMCG1

¹³⁹ Interview with HR Director, FMCG1

¹⁴⁰ Interview with HR Director, FMCG1

up of these extensive communication programmes, the HR Director of the company came and addressed the workforce:

“I talk to you in the name of the highest level management in our company. Our GM knows each and every one of you by name. We want you to be in perfect conditions. You are our most valuable and most important asset. We want to invest in you in all aspects, career and social development, help with family matters. We want your contribution to this company in all ways, and your voice is heard and suggestions are heard and incorporated into our management.”¹⁴¹

This quotation reflects the much criticised rhetoric of HRM (e.g. Kelly, 2000). However even the union official admitted that such an address and all the other direct communication programmes had an effect of ‘*almost like a therapy*’ on Turkish blue-workers who were not used to such behaviour from employers and management at all¹⁴². Although the workers’ perception was not sought in this study, blue-collar workers at FMCG1 were most probably highly impressed with the management’s attitude and behaviour during the earthquake and particularly with the subsequent direct communication and employee involvement programmes. Once workers left the union and de-unionisation was complete, similar to ‘union substitution’ behaviour described in relation to US firms in the UK (Beaumont and Townley, 1985) management offered a very competitive compensation package, and continued introducing more communication and involvement policies at the plant level.

Almost identical communication and involvement programmes were used in FMCG2, PharmaCO1 and HotelCO. The ‘innovative’ factor in these programmes was in their application to blue-collar plant workers, which was very unusual for Turkey. A group of HotelCO employees from all levels for instance ate lunch together with the whole management team, including the GM, where they could ask all sorts of questions to these top-level people and the management would share for instance information about HotelCO’s financial performance. In all four companies, all employees (not the managerial and white-collars only) were included in the corporate global employee satisfaction / opinion surveys, which was also something unheard of in Turkey, asking lowest level employees about their opinions of the management and working conditions. As Poole (1986) claims most of these management-initiated direct participation programmes were limited to very low levels of decision-making and mostly to directly job-related issues. Nevertheless they were very important for plant-level blue-collar workers in Turkey, where the relations and representation even within the unions are argued to be non-democratic (Nichols and Sugur, 2004). Such practices by the management were therefore very effective in providing employees with evidence of what the company could give them that the union could not.

¹⁴¹ Interview with HR Director, FMCG1
¹⁴² Interview with HR Director, FMCG1

¹⁴² Interview with Öz Gıda-İş Official

In this section, empirical evidence on IR issues in the non- or anti-unionist cases is discussed. These US companies were found, firstly, to have transferred their corporate ‘philosophy’ of *‘avoiding unions if they can’* and the non- or anti-unionist attitude quite easily to the permissive Turkish IR environment. De-unionisation and keeping unions at bay were accomplished without major problems mostly by using the flexibility of the legislation that provided great power for employers. Secondly, management in these case companies shared the common attitude of unwillingness to share managerial prerogatives with unions, and in some cases provided employees with comparably better employment terms and conditions (see Chapter 7) so that workers would not feel the need for collective organisation around a union. Particularly in the non-unionised cases, management launched a proactive strategy to keep unions out by managing employee expectations and the employment relationship without actually giving very much. They developed various communication and participation methods that were innovative in the Turkish environment particularly for blue-collar labour, which did not probably cost that much but made employees feel important and involved. ILM approaches used in conjunction with above market average compensation and benefits presented additional incentives for the labour to remain non-unionised particularly in the high unemployment environment. Within this environment there were also a few cases that were unionised, which are discussed empirically in the next section.

8.3.2. UNIONISED US MNCs IN THE TBS

8.3.2.1. Reasons for Recognising Unions: US Corporate Philosophy

Unionised US MNCs in this research were AutoCO1, AutoCO2 and TexCO. FoodCO, although included among the anti-unionist cases (see above), had one unionised plant in a different sub-sector. This unusual case is discussed separately below.

In all three cases, no evidence for a non- or anti-unionist US corporate attitude was found. In the interviews carried out at subsidiary and regional corporate¹⁴³ levels, a ‘philosophy’ or ‘preference’ for ‘no union IR’ was not indicated. USAuto1 had unions organised in all its major European and US plants. At AutoCO2 all subsidiary managers interviewed strongly argued that USAuto2 did not have an anti-union policy. Not even a preference for *‘no third parties between us and our employees but direct communication’* was signalled. In fact unions were perceived as a *‘check and balance tool’* on managerial behaviour¹⁴⁴. TexCO’s policy in unionisation in Turkey was transferred from USClothing’s much emphasised corporate values about *‘being a socially responsible employer, respecting its employees wishes to collectively organise, and pursuing good relations with the union*

¹⁴³ No interviews were attainable at the regional or corporate HQ levels at AutoCO2

¹⁴⁴ Interview with the AutoCO2 HR Director

*as well as its employees*¹⁴⁵. In TexCO these corporate values seemed to go far beyond the ‘philosophy’ of the non – or anti-unionist cases, where no subsequent comments were made at either subsidiary or European corporate levels about a preference for avoiding unions if possible. In fact, all of USClothing’s European as well as North American plants (e.g. in Spain, France, Belgium) used to be unionised, and prolonged negotiations between the unions and management took place to agree upon the terms and conditions of terminations when these plants had to be closed down due to cost considerations. Evidence suggested that USClothing had a union-friendly attitude that was transferred to the Turkish subsidiary as well.

8.3.2.2. Role of Turkish JVPs

Turkish JVPs were observed to have supporting roles in the unionisation of AutoCO1 and TexCO, more so in the AutoCO1 case. Unionisation at AutoCO1 historically is attributable to the pro-union attitude (demonstrated by the existence of unions in many of its companies in a wide range of sectors) and the ‘legacy’ of Holding1 management. During the early 1970s, Holding1, as a result of a decisive opposition from one of its legendary professional managers, adopted the unionisation principle across its manufacturing affiliates, based on an argument similar to that by Henry Ford that unions were necessary for workers to earn more and be able to buy even the more expensive goods produced by Holding1 companies¹⁴⁶. Therefore unions were not obstructed in any manufacturing company of Holding1. An IR coordination unit was created within Holding1 directed by another legendary professional manager who has after his retirement took leading positions in employers’ associations. The founder of Holding1 led employers in various sectors for the establishment of employers’ associations. Holding1 is therefore known to be the leader and adherent of collective labour-employer relations in Turkey.

AutoCO1 had started assembling cars under its American parent’s license back in the late 1950s as the first ‘car production’ company in Turkey. In the next 5 decades, it gradually grew into one of the largest car production companies. It became an IJV with the inclusion of the American parent, initially with a minority share and only recently, in the late 1990s, as an equal equity shareholder. AutoCO1 had been unionised from the late 1960s, even before the Holding1-wide principle was accepted, in fact since the unionisation first started in the metal working industry. Unionisation has been entirely in Holding1’s discretion who had assumed management until USAuto1 became an equal-share JVP and both parents had been involved in management equally. Within the new ownership structure HR/IR was still left to the Holding1’s responsibility and its ‘legacy’ continued in

¹⁴⁵ USClothing’s corporate values statement, that was observed during the fieldwork visits on display at the HQ and the plant, TexCO

¹⁴⁶ Source withheld in order not to reveal the identity of Holding1.

HR/IR management¹⁴⁷. Although HR/IR Director claimed that AutoCO1 '*is neither [USAuto1] nor [Holding1] but an independent enterprise on its own as an IJV*' and there were no formal regular reporting lines in HR/IR, evidence was found for a strong organic relationship which involved limited formal reporting with Holding1¹⁴⁸. In addition, industry factors and the cooperative attitude of Türk Metal (labour union at AutoCO1) have been influential for the continuation of collective labour-employer relations, which will be discussed in more detail below.

In comparison to the AutoCO1 case, the significance of the Turkish partners' role in TexCO's unionisation had been much more limited, mainly because a number of Turkish partners shared 49% (minority) equity among themselves in the IJV. USClothing had the majority share, and the Turkish JVPs were not involved in operational management but only in strategic matters. Turkish JVPs, among the largest employers in the sector, had comprehensive knowledge of the sector. They were moreover among the leading members of the Turkish Textile Producers Employers' Association, and had unionised labour in their other companies in the sector. These factors in combination are argued to have been positively influential in the unionisation of TexCO particularly at the initial establishment stage. It has not been possible to interview the Turkish JVPs of TexCO to find out the reasons of favourable attitude towards unionisation. However it is argued that their reasons were related to the unbalanced power position of the unions (i.e. much weaker) in the sector against the employers, discussed in more detail below.

8.3.2.3. Role of American JVPs

In the IJVs, the US parents' role in IR was very significant, because unionisation depended on the American parents' decision, as argued above for the anti- or non-unionist cases; this was particularly so in the PharmaCO1 case. PharmaCO1 used to be a unionised affiliate of Holding3 before it became the IJV when USPharma1 acquired 50% equity, and de-unionisation was realised while the IJV was established as a result of the new American JVP's requirement¹⁴⁹. At AutoCO1, as stated by the IR Director at USAuto1's Europe HQ, the management link with the Turkish subsidiary was not the same strength as with its other WOS, because of the unique IJV history and structure of AutoCO1. Its other IJVs had initially been established and owned fully by USAuto1 whereas AutoCO1 had the opposite background. There were no formal reporting lines in IR between AutoCO1 and USAuto1's European HQ.

USAuto1's influence on IR in AutoCO1 was limited to more informal processes, i.e. involving AutoCO1's HR/IR Director in quarterly IR/HR meetings in Europe, holding tele-conference meetings,

¹⁴⁷ Interview with expatriate (American) CFO

¹⁴⁸ Interviews with AutoCO1's Holding1 HR Coordinator, expatriate assistant GMs and HR/IR Director

¹⁴⁹ Interviews with former HR Coordinator, Holding3, HR Manager and HR Specialist, PharmaCO1

through which the most significant issues for the American parent, e.g. health and safety, child labour, equal opportunities, diversity, etc, were discussed. According to the IR Director at USAuto1's European HQ, it was very much Turkey-based labour relations managed by the Turkish ('*Holding1*') HR/IR Director and it was absolutely fine as long as employees were treated in line with USAuto1's general codes of conduct. IR in AutoCO1 had been managed successfully by the Turkish parent for over 40 years and '*don't fix it if it ain't broken*' was USAuto1's principle¹⁵⁰.

AutoCO1 and PharmaCO1 had very similar features particularly in terms of ownership structures and IJV establishments with American partners, except unionisation in the former continued while de-unionisation occurred in the latter. Unionisation in AutoCO1 therefore can be mainly attributed to the union-friendly attitude of USAuto1, while the role of the Turkish parent and industrial factors were also important. In the other unionised IJV case, TexCO, unionisation essentially reflected the US JVP's union-friendly corporate attitude as a 'socially responsible employer', as USClothing was the majority owner who had the full managerial responsibility and control in the IJV. It was also argued by the IR Director at EMEA HQ that unionisation originally might have been led by the Scottish engineers who first set up the Turkish plant, coming from an area where USClothing had one of the most strongly unionised subsidiaries.

Similar to the non- or anti-unionist cases, IR management at union-friendly US MNCs in this research was left to the discretion of the local managements, even at TexCO (IJV) and AutoCO2 (WOS) where it was the American parents who had management responsibility. At AutoCO1's European HQ, IR was argued to be one of the most country-specific areas for USAuto1, although they had a separate division that dealt with '*negotiations and labour contracts across Europe, to understand the needs and give corporate approval when necessary*'¹⁵¹. USClothing also had an IR division at its European HQ, but they were not involved in unionisation, collective bargaining or any other daily management issues. They had to step in when closing down the plants, and their involvement was claimed to be restricted to strategic issues, e.g. ascertaining that employees were treated according to USClothing's corporate values. It is therefore found that US MNCs transferred their 'philosophy' in terms of attitude towards collective labour relations, i.e. non-unionist or union-friendly, and left the management of IR to the local managers to be conducted in line with the corporate codes of conduct.

It is evident that unionised case companies could also have been de- or non-unionised in the permissive IR environment in Turkey. Unionisation in AutoCO1, AutoCO2 and TexCO as such was therefore considered as a strong evidence for the positive (or at least not negative) attitude of their American parents. Particularly for AutoCO1 and AutoCO2, longstanding involvement in collective

¹⁵⁰ Interview with AutoCO1's expatriate (American) CFO

¹⁵¹ Interview with IR Director at USAuto1's Europe HQ

labour relations within the automobile industry in the USA where unionisation is the norm might be reflected in their positive attitude towards unionisation at their Turkish subsidiaries. Some of the specific factors associated with industry norms and union-employer relations that will help further explain the unionisation in these cases are discussed in more detail below.

8.3.2.4. Industry Factors

The export orientation in both AutoCO1 and AutoCO2 increased the importance of high quality production, thus retention of the highly skilled company-trained workforce was especially significant. Given the considerably lower labour cost in the AutoCO1 (and AutoCO2) plants in Turkey in comparison to the rates in the other European plants, achieving and sustaining export quality production was more important than cost considerations. Labour market pressures to retain scarce skills needed in the car production and supplies sector made an experienced workforce more difficult to replace, hence more valuable. At AutoCO1 for example they kept around 800 workers from the old plant although they knew they would not need them for at least a year until the new plant started in full capacity:

“The workforce here was 15-20 years worth of experience and if we’d laid them off, made them redundant, a year later we’d have been down in [*the new plant*] trying to hire new people. We’d have paid these guys a big redundancy payment and then going there and hiring new people costs us about the same when it is all said and done. And what you’ve done is you turned away 15-20 years of experience in the transaction. So we did not want to do that so we carried probably 700-800 people more than we needed to for a year. I am not to say it makes us look like nice guys but it was more to our benefit because these guys were experienced people.”¹⁵²

As argued previously, labour market conditions in different sectors can increase or decrease union power. In Turkey scarcity of skilled labour was a major labour market constraint that increased union power in for instance the auto production industry for companies such as AutoCO1 and AutoCO2. While TexCO’s production was also mainly for export to source its European markets, low complexity of production in textiles and abundance of unskilled labour needed in this sector reduced the union’s power considerably. As argued by top-level union official at TEKSIF:

“The low skill and education level required in the textiles sector creates most of our problems. An uneducated, unskilled person just immigrated from his/her Anatolian village to Istanbul can be prepared to start working in a textile plant within a week. There are so many others waiting right at the other side of the entrance, ready to accept working without any social security insurance or overtime wages, only for the minimum wage. As the companies can easily lay off existing workers and start with new ones, who do not need to be highly-skilled or highly-trained in this sector, workers are scared to become union members, as it can on its own mean losing their jobs. Being a union member might cost one his job in Turkey.”

¹⁵² Interview with AutoCol’s expatriate (American) CFO

In both sectors, i.e. metal production and textiles, there were strong employers' associations. Bi-annual industry-wide collective bargaining and agreements were made between the labour unions and the employers' associations acting on behalf of their respective members. Although the employers' associations, which increased the power of already strong employers, were an important factor that reduced the labour unions' power, industry-wide bargaining process actually helped to boost it, bringing some balance to the process. However as both managements and trade union officials claimed, both Türk Metal and TEKSİF presented very cooperative attitudes during the bargaining processes and in their on-going relations with the employers.

In brief, it is argued that US MNCs were unionised in Turkey mainly as a result of transferring their formal worldwide pro-union corporate policy, supported by other broader organisational factors, such as pro-union attitudes of Turkish JVPs, and industry factors, e.g. high quality needs for exports and skilled and experienced labour to fulfil production needs. Moreover, these companies, as strong MNCs and members of the strong employers' associations, did not perceive the much less powerful Turkish unions as a major threat. Therefore they did not oppose them as strongly as they would have if the Turkish trade unions presented serious threats to their management prerogatives, as might be the case for instance with works councils in Germany. This finding was in line with the arguments of Colling *et al.* (2006) who found the most determined opposition by US MNCs to union influence in Germany and Spain, where the consequences of allowing unionised relations were potentially broader. The highly cooperative attitude of the trade unions involved in these cases might have been another important factor for the transfer of the pro-union policy of the unionised case companies, which is discussed in the next section.

8.3.2.5. Cooperative Approach of Trade Unions for 'Mutual Gains'

A very cooperative attitude had been observed in the majority of the unions included in this research. Particularly those affiliated with Türk-İş (i.e. Tek Gıda-İş, Türk Metal, TEKSİF, Oleyiş) were among the most significant trade unions in their respective sector and were 'accused' of becoming too 'employer friendly' by the leftist Confederation DISK. DISK and other leftist unionists argued that this attitude had become a major general characteristic of labour unions in Turkey recently and it damaged unions' power and outcomes of collective action. Türk-İs and Hak-İs on the other hand suggested that it had been a '*transformation of ideological strategy, as a result of being stronger by adapting to the changing conditions*'¹⁵³. Not only managements and employers' association representatives but also most trade union officials interviewed in this research criticised 'the old hostile unionisation' as being destructive in the current era of increasing global competition and

¹⁵³ Interviews with General Secretary of Türk Metal and Vice President of Hak-İş

praised the ‘cooperative’ and ‘flexible’ attitude by the unions. Such an attitude was particularly important for employers given the instability of the Turkish economic environment. At AutoCO1 for instance they made around 400 people redundant while moving down to the new plant, where the union had cooperated and it was ‘*not a major issue*’¹⁵⁴. The American CFO at AutoCO1 moreover cited his experience with the trade unions at the beginning of the major economic crisis:

“That was one of the things that surprises me here: the flexibility that we had with the union. We went to them in December of 2000, with ‘here is the data guys and here is what’s happening’. You could not walk into an UAW plant in North America and say, 2 weeks before Christmas, and it was before the Bayram¹⁵⁵ here, ‘Sorry guys, the market’s just collapsed. We are out of here next week. We are down for a week.’ That was good.”

The HR/IR Director of AutoCO1 proudly explained that there had been almost no problems during the last two years while carrying out the conditions of the collective agreement contract agreed and signed between Türk Metal and MESS. While minor problems had been solved at the shop floor level between the management and shop stewards or branch level union representatives, for major issues management would have had to hold meetings with the union’s highest officials in Ankara. HR/IR Director said such a meeting had happened only once in the past two years and gave an anecdotal example for smooth and unproblematic relations with the union at the shop floor level:

“Once I was on the shop floor with HR people from the USAuto1 during an annual audit when the shop stewards came to talk about a problem. So we quickly discussed the matter on the spot, agreed on a solution and they left. Afterwards our corporate people asked me who they were, and when I said that they were the union representatives, they got even more curious, asking what it was about. When I told them the matter and that we solved it, they were really amazed to see that we had discussed and solved it just like that and asked me how we could manage this. I explained that our employment and union structures here in Turkey are very different from those in Germany, Belgium or the States. Our union people know that what we need to do is necessary for this company to continue providing jobs. So they make sacrifices when needed. As the employer we pay them back when things go well.”

As argued in Chapter 6, Türk Metal was able to negotiate a good collective agreement for its members across the metalworking industry, including those working in AutoCO1 and AutoCO2. Moreover it collaborated with management in the organisational structure change during the gradual replacement of traditional assembly line with USAuto1’s production system in many stages of the production that involved work group organisation. Türk Metal’s claims for increased power in the company with the help of its cooperative attitude was supported by its participation in such issues.

Similar accounts of cooperative relations with Türk Metal were found at AutoCO2. As a supplier of auto parts, AutoCO2’s production depended entirely on the orders it received from automotive producers, therefore it had to modify its workforce size according to orders received. When there was not enough demand, it had to downsize plants, to recruit later when they needed to increase output.

¹⁵⁴ AutoCol’s expatriate (American) CFO

¹⁵⁵ the Eid, holy days of Islam, which can be considered equivalent of Christmas or Easter

AutoCO2 had a much less complicated production system than automotive producers but training and experience definitely were important for higher quality, export-oriented production. Therefore during downsizing and recruitment, AutoCO2 management worked closely with the union, making those least 'vulnerable' (i.e. most recently employed, younger, unmarried, without children, etc.) workers redundant first and calling those laid off first when recruiting again. During one of the site visits for fieldwork at their Istanbul plant, the researcher was able to follow meetings held with union officials to announce that the company had won a very large scale long-term project bid from AutoCO1 for its export production and that they would start recruiting in collaboration with the union. All the interviewees at AutoCO2 emphasised the importance of continuous and open communication with the union and how that policy had improved their 'mutual gains'. AutoCO2's HR Director responsible from all 3 Turkish plants argued that AutoCO2 had been ahead of all the USAuto2's European subsidiaries in terms of establishing and continuing good 'partnership' relations with the union, through open communication and mutual trust.

These findings are along the lines of arguments by Nichols and Sugur (2004) who state that '*Türk Metal helps the employers. The employers help Türk Metal. This is the unspoken name of the game.*' (p. 179). Moreover Büyükuslu (1994) reports that Türk Metal has welcomed the adoption of teamworking, quality circles and the extensive use of direct management-employee committees, so much that it more recently organised a joint conference with MESS on TQM and related issues in 2002 (MESS, 2003). Türk Metal is moreover argued to have a practice of leaving management to manage on the shop floor, as a result managers state that it has been 'no problem' and in fact '*they understand our problems*' (Nichols and Sugur, 2004:179). The findings of this research confirmed the arguments of the previous studies. Highly cooperative attitude and behaviour of the union suggested the inclusion of unions in employment relations, with minimal incorporation into management.

While there were continuous, day-to-day union-management relations at AutoCO1 and AutoCO2 mainly because of sectoral factors, e.g. training needs to upgrade skills, and company-specific factors, e.g. recruitment in growing AutoCO1 and for the new substantial order at AutoCO2, union-management relations were confined to collective bargaining periods at TexCO. Similar to those in the metalwork industry, industry-wide agreements between the union and employers' association in textiles were signed after usually unproblematic bargaining periods. Management-union relations were smooth at other times both at the industry and company levels. The union, TEKSIF, also adapted a collaborative model, as the best strategy to survive particularly with its relative (low) power against the employers' association within the Turkish environment.

Most union officials interviewed in this study claimed that Turkish trade unions had adopted cooperative and flexible attitudes as a strategy to be able to adjust to the changing conditions

nationally and globally. They had argued that showing a cooperative attitude, the unions would make the management's job easier in dealing with employees directly and creating a peaceful work environment:

“Our workers will not react negatively if it is us the union that announces that there is a need for work stoppage, for unpaid leave due to high level of stock, or even lay-offs. We would do such things for employers as we believe, and we can explain this to our members, that we are all in the same boat. To have a nice journey together, we all need to be positive and co-operative about it. The value added by us the unions will only be possible when we can help our members to work efficiently and create a good job through goodwill and dedicated effort.”¹⁵⁶

“*We know that we are all in the same boat*” was commonly used by almost all the union officials interviewed, as well as by many HR/IR people. Just as Kelly (2000) argues, trade unions seemed to have accepted that they could survive in this environment – one that permits employer ‘militancy’ and anti-unionism – only if they cooperated with employers and were flexible enough to attain ‘*the best for a larger number of our members*’.

One last unionised case was the hazelnut processing plant owned by FoodCO, which was a noteworthy case given that FoodCO was argued to be among the anti-unionist US MNCs in this research.

8.3.2.6. Unionisation in an anti-unionist US MNC: The Hazelnut Plant of FoodCO

It was an unusual unionisation case at this small plant, as argued previously, in Turkey it is almost impossible for a union to get recognition if the employer decides against unionisation. There were around 100 workers in this small hazelnut processing plant where production was labour intensive and entirely for export, and therefore with high quality standards. When Öz Gıda-İş first started to get organised in the plant, the management reacted very harshly, which was not unexpected given FoodCO's strong anti-unionist stance transferred from USFood (see above). It used some coercive methods, e.g. laying off those who had become members and threatening others, to keep the union out, while it easily replaced workers given the labour market conditions in the rather remote region where the plant was situated. The village was somewhat further away from the industrial region and there were not many, if any, other employment possibilities for unskilled uneducated women, other than peasantry. Although it was not possible to understand exactly how, the union official claimed that Öz Gıda-İş was able to organise employees strongly enough to oppose the management and create unrest in the plant in response to the latter's coercive methods. The union moreover claimed to have threatened the management with provoking negative publicity in the media, although it was not clear how, as it would have been rather difficult to attain public attention and create negative publicity for such a small remote plant. However as an Öz Gıda-İş official argued, in the end it was their cooperative strategy that had convinced the management to accept the unionisation:

¹⁵⁶ Interview with Öz Gıda-İş official

“Then we convinced them [*the management*] initially to discuss the issue, and then for recognition and collective bargaining. We convinced them by saying we as the workers need this plant more than the American corporation does. It provides a living for around 500 people considering their families, and this is among the best places to work. In this way we were able to convince the management that the union was not a ‘monster’ and in fact very willing to co-operate for the well being of both the company and its workers.”

The flexible and cooperative, which can also be read as supplicant and compliant, attitude of the union might have been influential in its acceptance by the management, but it had not been possible to learn the complete story, as it had happened some years ago. The HR director and managers interviewed kept the discussion extremely brief about the IR issues, only stating the major ‘facts’, i.e. that there was a union in one plant but not in the other, and it was entirely up to workers to be unionised or not, in an attempt to play down the subject. Some of the possible reasons for unionisation might have been firstly, the effect of the (in)significance of the business unit on the company’s attitude: hazelnut processing was not FoodCO’s major business in Turkey, sweet and starch was, where they had already de-unionised the plant. As a matter of fact, the hazelnut plant was sold subsequently. Secondly, location of the plant might also be an important factor, which was supported by the accounts of the HR manager at the European HQ: unionisation in this rather remote plant with a small number of workers at comparatively low wages presented no significant threat to the management. Thirdly, FoodCO might not have wanted to handle any more negative publicity, especially because of such a small and fairly insignificant business, when it already had been in the public domain. It had been criticised in the media for its lobbying attempts at the highest government levels for regulation changes in import quotas and production subsidies in sugar production to enlarge its market for the substitute (cheaper) product it produced at its sweet and starch plant. Therefore it might have compromised by allowing this cooperative union in its secondary small business not to stir things up and maintain a low profile for the sake of its major business. Although the smallness and remoteness of the plant would have made mobilisation of negative public reaction difficult, management might have nevertheless not wanted to face even the small possibility. Ultimately, it was down to the cooperative approach of the union that FoodCO had allowed unionisation in this hazelnut plant, similar to its experiences in the UK where USFood preferred collaboration with a ‘*pretty flexible to deal with*’ union when setting up a new plant, as it did not perceive this union as a major threat¹⁵⁷. It is therefore argued that a combination of company-specific and, to a lesser extent, industrial factors shaped the subsidiary level IR management in FoodCO, even though USFood’s corporate policy of avoiding unions was transferred to FoodCO in Turkey.

¹⁵⁷ Interview with HR Director at EMEA HQ, USFood

8.4. CONCLUSION

In this chapter, empirical evidence on IR issues in the US MNCs in Turkey was discussed within the analytical framework of unions' power and of influences exerted by the TBS. Extensive case study evidence suggests that, firstly, US MNCs transferred their corporate attitudes in IR, whether against or in favour of unions, to their Turkish subsidiaries. The permissive legislative environment, weak unions and pro-business governments made de-unionisation and non-unionisation fairly straightforward for non- or anti-unionist companies while keeping within the law. This finding was consistent with the widespread finding about skilful use of existing legal flexibilities by US MNCs in different countries (e.g. Colling *et al.*, 2006). Secondly, detailed IR policies or tools were not developed and transferred to subsidiaries from the US parents, except for a few, general guidelines. This was probably because IR was still highly regulated in many European countries, which made it very much country-specific. Among these guidelines were handling IR according to the local rules and regulations by local managers within the framework of their extensive knowledge of the local environment.

The most important factor in collective employment relations of American MNCs in Turkey was the US parent's attitude: if it was non –or anti-unionist (mostly hidden in the sub-text of their 'philosophy') and decided to be de-unionised or stay non-unionised, it was almost impossible for any union to continue its organisation because of the permissive legislation discussed above. The Turkish IR environment presented unions with difficult obstacles and gave companies extensive flexibility, through *i*) macro (national) and micro (company) level union density threshold rates; *ii*) changes in company status (i.e. workplace vs. enterprise); *iii*) changes in job classifications; *iv*) use of sub-contracted labour. If these were not enough, coercive but illegal methods could have been used, as trade unions were not powerful enough to mobilise workers or public opinion. Pursuing legal challenges in the courts takes considerably long time (e.g. see FMCG1 case discussion above) and usually ends with decisions in favour of employers.

Some common themes of the American non- or anti-unionist attitude were transferred to the Turkish subsidiaries: firstly, an unwritten corporate 'philosophy' of 'avoiding unions if/where we can', was identified in the non/de-unionised case companies. Secondly, the strict corporate policy of 'following the local legislation in employment relations precisely' and respect for employees' preference for collective organisation, and willingness to work with the union striving for peaceful relations were also stressed. However it was clear in the non- or anti-unionist companies that managements 'preferred' not to have a third party between themselves and employees, and not to transfer some of their managerial power to the unions. Fourthly, a preference for direct communication with employees and using innovative methods of communication and involvement, i.e. union substitution

methods, were transferred from the home-country policies. The case companies were able to apply their 'philosophy' and other methods more or less freely in the tolerant Turkish environment.

The main reason for unionisation particularly in this permissive environment was also American parents' corporate attitude towards organised collective labour relations. It is therefore argued that unionisation in the TBS primarily reflected company strategy / philosophy rather than union power. In the unionised cases, there were supporting industrial and organisational factors, where collaboration with unions was perceived as beneficial, not threatening, by managements. Union's greater 'latent' power, e.g. in high skill export oriented sectors or in the industries where unionisation has been traditionally more widespread (e.g. automobile production), and highly collaborative, even compliant, union attitudes, resulted in recognition for the trade union, where managements did not perceive the union as a threat to managerial prerogatives. Even in cases where companies adopted a highly militant anti-unionist approach managements, in order to keep a low profile, were observed to accept unions in return for accommodating behaviour by the union.

This chapter concludes the discussion of empirical findings of the research. In the next and the last chapter, firstly, main findings are reviewed and discussed, and secondly, the wider implications are presented.

CHAPTER 9. DISCUSSION AND CONCLUSIONS

9.1. INTRODUCTION

The objective of this research was to examine how IR/HRM policies are formed in subsidiaries of MNCs in a distinctive context. In this regard, understanding the extent of transfer and adaptation of IR/HRM policies of American MNCs in Turkey, which is defined as a ‘hybrid transitional’ host country defined in terms of its relative strength and openness to global influences on its institutional business environment, was the main research aim. For this purpose, cases of American MNCs in various sectors were investigated to explore the impact of different influential forces on the transfer and application of IR/HRM policies and practices. To understand the multi-layered, multi-dimensional and interwoven context of transfer within MNCs, drawing mainly on the comparative institutionalist theory, potential impact factors were conceptualised at four levels: host- and home-country influences were considered at the macro level, sectoral factors at the meso, and company factors at the micro level to research their impact on the fourth level, i.e. HR/IR functions such as employment systems and labour market orientations, performance management and reward systems, and employment relations.

In the first section of this final chapter, the main findings presented previously are reviewed and discussed by considering the major influences separately and in interaction with each other to understand the formation of IR/HRM policies and practices at the subsidiary level. In the second part, the wider implications of the findings are presented, and it is argued that different institutional factors found in the distinctive ‘hybrid transitional’ business system, i.e. that incorporates various elements of typologies of business systems in the literature, imply a continuous change that is not only ‘pushed’ by influences of globalisation and transnational institutions, i.e. trickle-down and trickle-up trajectories (Djelic and Quack, 2003) but also ‘pulled’ by those systems as a result of local actors’ aspirations to reach these ultimate models. The chapter concludes with a discussion of the research limitations and implications for future research.

9.2. SUMMARY AND DISCUSSION OF MAIN FINDINGS

A number of factors at different levels of the analytical framework were found to have direct impact on the transfer and adaptation of HRM policies and practices separately. The results also revealed the interplay between these multi-level effects, illustrating the specific nature of the interaction between these levels and the impact it has on transfer and application of HR/IR policies. In the next section, influences at different levels are presented separately, followed by the discussion of interaction effects.

9.2.1. KEY FORCES OF INFLUENCE

9.2.1.1. Macro Level Analysis: Host-Country Effects

It was argued that host-country business systems impose legal and societal constraints that influence the transfer and application of policies. One of the main aims of this research was to explore the impact of the 'hybrid transitional' host business environment on the transfer of IR/HRM policies. Strong country of operation influences were found on the transfer and implementation of IR/HRM policies and practices in the Turkish subsidiaries of US MNCs. These findings are consistent with those of previous research on host country influences, e.g. Almond and Ferner (2006), Gooderham, Nordhaug, and Ringdal (1998), Schmitt and Sadowski (2003), and Tempel *et al.* (2006).

To begin with, an ILM approach was found to be the widely adopted employment system in almost all cases studied in this research, both for the managerial employees and blue-collar workers. While no fieldwork could be carried out at the corporate HQ level, sufficient evidence was collected at the regional HQ and subsidiary levels to conclude that an ILM approach was transferred to Turkey as the corporate policy. However there were also various supporting host-country factors -as well as sectoral and organisational factors (see below)- for the transfer and application of such a policy in Turkey. Mainly because of local labour market characteristics, particularly the scarcity of the highly-educated, skilled and trained labour force needed both for blue-collar and managerial positions, US companies needed to recruit and select the best available candidates with a certain level of education and skills for entry-level positions, and more importantly, train and develop them internally. Although the tight local labour market presented constraints in terms of finding the qualified workforce needed, the TBS at the same time provided most of the necessary conditions for the implementation of ILM, including comparatively low labour costs, and collaborative unions and workforce. Moreover, there were no legal obstacles to the transfer of sophisticated R&S methods from the US parents for selecting the most suitable candidates. The interplay of these host-country factors simultaneously necessitated and eased the transfer of ILM approaches.

No legal constraints were imposed by the TBS on the adoption of home-grown policies and practices in R&S. The case companies nevertheless showed some localisation particularly in recruitment methods, and adopted the informal tools that are widely used by local companies, such as word of mouth, personal networks and suggestions by current employees. However, they did not generally need to modify their global corporate selection criteria, as they were able to find suitable employees in the Turkish labour market, which is comparatively larger than those of many other emerging and developing countries. Moreover, graduates of 'good' American-type schools and universities are used to Western concepts of R&S and HRM. Nevertheless, particular job types, e.g. sales, and sectors, e.g.

hotels, are problematic for the application of such global corporate criteria and tools in the Turkish environment, again because of attitudes among qualified workforce towards such jobs and sectors. Therefore some of the 'general' selection criteria, e.g. a university degree, university name, foreign language knowledge, were eased due to problems experienced in these case companies in 'matching attitude with aptitude'.

In an environment where scarcity of educated and skilled labour prevails, job-hopping by and poaching of qualified and in-house developed employees are highly probable. However, career opportunities and competitive C&B packages provided by US MNCs, when combined with the traditional commitment and loyalty of Turkish employees and the scarcity of similar jobs, usually eliminated high turnover problems. The combination of these host-country factors made the application of the ILM approach less problematic. Case companies used extensive T&D as well as career and promotion opportunities for retention purposes when it became an issue with new (particularly foreign) capital investments providing similar career and compensation opportunities.

It is argued that a wholesale transfer and application of policies is not possible and some degree of adaptation to the host-country conditions, and therefore hybridisation, is necessary. Such localisation in the application of C&B policies was clearly identifiable, although C&B was among the most centralised and standardised HRM function (see below). Within the general corporate policy of 'staying competitive in the market' case companies provided inflation adjustments during the hyper-inflation periods in Turkey, which meant increasing wages and salaries more than once a year. The inclusion in employees' benefits packages of some benefits that were traditional in the TBS (e.g. free cafeteria and transportation services) and of other, more recent 'innovations' that were highly regarded in the Turkish context (such as private health and life insurance) –even where such practices were not part of global corporate policy– was another example of the localisation of C&B. Economic conditions of the host-country necessitated the adaptation of US corporate policies while case companies were strongly inclined towards transferring their reward systems intact, as generally argued in the literature.

Host country NBS are not necessarily constraining; they can provide crucial conditions for the successful transfer of corporate policies. In this respect, Turkey presents a legally permissive and pro-business IR environment in which US firms had no difficulty in extending their preferred corporate strategy, or 'philosophy', towards collective employment relations. Where the US parent companies had non-unionist strategies, they were able to de-unionise and/or stay non-unionised in the Turkish subsidiaries by using the widespread flexibility given to employers by the legislation, which at the same time put obstacles in the way of unions. Turkish unions, which are argued to have very limited latent power and are characterised as weak in mobilising their power (except under certain sectoral

conditions) are rarely able to fight back if the company decides to de-unionise. Some of the classic union substitution methods (e.g. promotion to staff positions, increased compensation packages, and innovative communication methods) were significant particularly for blue-collar employees within the Turkish business environment where high unemployment and low wages prevail, while communication between management and employees had traditionally been limited to rare top-down instances.

To sum up, while the legal framework in Turkey was far from being restrictive in shaping US MNCs' HR/IR policies in the substantive areas investigated, adaptation and hybridisation of the policies shaped in and transferred from the American business system were found to reflect host-country features and conditions. Although some of these were constraining, they were also positively influential in creating the necessary environment for the transfer.

9.2.1.2. Macro Level Analysis: Home-Country Effects

One of the other core issues of this project was to understand which US corporate HRM policies were transferred to Turkey and to what extent. Evidence was found for the successful transfer of many HRM policies and practices particularly in PM, reward, and employment systems, and corporate 'philosophies' in IR, demonstrating distinctive country of origin influences.

Firstly, both non-unionism and unionised IR were found in the case companies. As argued in Chapter 5, this pattern is in line with the home-country traditions, as American MNCs come from a business environment where both unionised and non-unionised approaches have been historically experienced, although non-unionism has been generally claimed as a distinctive characteristic of American IR system (Foulkes, 1980; Jacoby, 1997; Kochan, Katz and Derbyshire, 1986; Osterman, 1999). In the majority of the non-union cases, evidence for strong corporate anti-unionism, combined with other policies employed in large non-union American companies (Foulkes, 1980) and 'welfare capitalist' companies (Jacoby, 1997), was found. Where an unwritten corporate 'philosophy' of non-unionism was transferred, ILM employment systems combined with employment security, T&D and career opportunities, above market-average employment terms and conditions including pay and benefits, and extensive internal communication programmes were also used. These were similar to the innovative workplace policies used by non-union American firms in the UK as 'union substitution' practices (Beaumont and Townley, 1985). There were two typically 'American' managerial arguments cited for the non-unionist approach: that the company can and does provide the best employment terms and conditions for its employees' needs, without the interference of unions as a third party in employment relations. This argument was underpinned by a concern with maintaining managerial prerogatives. The second argument (used in only one of the non-union cases by the US

parent as the main rationale for de-unionisation) was based on labour cost considerations. Case companies generally preferred to behave 'by the book', achieving de-unionisation and keeping their plants non-unionised, something easily accomplished within the permissive pro-business legal framework, although there was some limited evidence for the use of harsher techniques when companies deemed that non-unionisation had to be continued.

Turning to R&S, sophisticated and standardised policies and methods, including competency-based approaches developed at corporate HQ for the careful selection of employees, were transferred to the Turkish subsidiaries. US MNCs were 'innovators' in R&S, being among the first to use electronic recruitment, links with educational institutions, and competency-based methods in Turkey.

Assessment centres, psychometric tests and detailed interview processes developed at regional and corporate HQ were also transferred. Related host-country factors, such as the absence of legal constraints combined with the presence of the necessary technological background, made the transfer of these R&S tools possible, although they were used in combination with other local tools (see above).

US MNCs are known to have a tendency for centralised policies, particularly in compensation and PM systems, managed through standardised and formalised systems and policies globally (see e.g. Almond *et al.*, 2006). The findings of this study confirmed evidence from earlier research as strongest home-country influences were found in the highly centralised application of reward and PM policies and practices. Position in the market, salary ranges and benefits were defined by corporate / regional HQ and implementation was closely controlled. Salary structures emphasising individual performance-related pay were successfully transferred to Turkish subsidiaries. Share ownership schemes, generally for higher levels of management, were one example of American compensation practices observed in the case studies.

Similarly, strictly centralised and standardised corporate approaches to performance appraisal policies were applied. Performance was closely monitored through advanced tools and techniques transferred from the US parents to the Turkish subsidiaries, such as a 'cascading' approach for aligning individual and departmental goals with business objectives, a forced distribution system, linkage between performance-appraisal and compensation, T&D and career management. Although subsidiary managements were given some flexibility in the adaptation of certain policies (see above), the implementation of transferred HR policies was subject to strict monitoring by regional and/or corporate HQ.

Host-country factors that influenced transfer mechanisms were also found. Expatriates were rarely used; their deployment was limited to start-up periods particularly in greenfield investments. The

'quality' of the managerial workforce in Turkey made it possible to hand over the management to host-country nationals once the systems (operations, finance and accounting, HRM) had been set up by expatriates. High-technology tools (tele-conferences, international databases, electronic reporting, Intranets, etc.) were used through the developed IT and telecommunications infrastructure available in the host-country as control mechanisms. Centralised and standardised policies, and close control through strict reporting relations within the international and regional structure, in which Turkish subsidiaries were the sub-regional HQ in a number of cases, were the other important transfer mechanisms, depicting strong country-of-origin factors.

In summary then, US MNCs transferred most of their corporate policies and practices 'embedded' in the US business system, to the Turkish subsidiaries. Host-country factors, though evident, were relatively few and imposed few constraints on the transfer; in fact, they generally provided backing for successful transfer. Host-country factors necessitated hybridisation only in a limited number of areas. In addition to the macro-level analysis, sectoral effects were analysed at the meso-level of the theoretical framework; these are discussed in the next section.

9.2.1.3. Meso Level Analysis: Sectoral Effects

It is generally accepted that industry characteristics have significant influences on shaping HRM policies in subsidiaries and explaining variations in HRM/IR patterns (Colling and Clark, 2002). Industrial influences are regarded more as mediating factors in the institutionalist approach where sectors are assumed to be 'embedded' in their national business systems (Whitley, 1999). In this research, drawing on arguments by for instance Marginson and Sisson (1994) who claim that the nature of particular business sectors is more influential on the HRM practices of MNCs than home- or host-country factors, industry is considered as one of the major sources of influence at the meso level. Drawing on Porter's (1998) and Bartlett and Ghoshal's (1989) studies on types of international competition, it is argued that variations in HRM policies would be found in multi-domestic and global industries as a result of more or less independence from HQ (Ferner, 1997). However many multi-domestic firms are found to be moving towards more global competition, and there are sub-sectoral variations as well. In fact, defining 'sector' particularly for multinational firms can be quite complicated because of differences across a range of dimensions (Almond *et al.*, 2006), therefore cases from a number of sectors were chosen to see the direct and indirect influences of operation / manufacturing systems and sub-sectoral variations on the transfer of HRM systems from US parents.

A few sectoral influences were found in this study, acting in combination with home- and host-country factors. Transfer of ILM employment systems can be partly explained in relation to the sector-specific use of sophisticated operation systems and work organisation (e.g. teamwork). The need for highly

qualified employees for complicated operations and high quality production standards, especially in global supply-chain production systems such as car manufacturing, and their flexible deployment in teamwork structures, tend to favour ILM approaches. In the industries where such skilled and educated blue-collar and/or managerial workforces are needed, use of sophisticated R&S and employment systems reflect the need to find, attract and retain such employees, still scarce within the Turkish labour market. Moreover, it was found that sub-sectoral variations influenced labour requirements as well, as in the case of the high-end hotel sector where luxury chains serve a specific group of clientele who expect high-level service standard globally. A strong ILM orientation was observed in such companies, where sufficiently qualified employees were selected carefully, trained and developed in-house for promotion from within. Employment security and career opportunities (where possible) and T&D as well as carefully designed and monitored C&B packages were among the HR policies applied for retention.

Finally, no significant sectoral differences were found in PM policies and applications across the core cases. They all adopted centrally controlled sophisticated PM systems, transferred from corporate HQ where performance evaluation processes were very similar and results were linked to payment, T&D and career planning systems. The uniformity found in the PM systems is explained, firstly, by the ILM strategy adopted, and secondly, by certain organisational factors (e.g. size, duration of operations in Turkey, etc.; see below) in the core set of cases.

To summarise, evidence for the direct influence of sector was limited. Sector mainly impacted the choice of an ILM approach due to the need for high firm-specific skills. Therefore in this study it is found that sector tended to have mediating effects, rather than direct substantial influences, as much of the literature suggests. In the next section, evidence for organisational influences, analysed at the micro-level of the theoretical framework will be presented.

9.2.1.4. Micro-level Analysis: Organisational effects

There are findings in the literature that refer to the importance of various organisational characteristics in the formation of IR/HRM policies and practices of MNCs' subsidiaries (e.g. Beechler and Yang, 1994; Rosenzweig and Nohria, 1994; Malnight, 2001; Marginson *et al.*, 1995; McKern, 2003; Edwards and Kuruvilla, 2005). Similarly, this study identified a number of micro-level factors as influential: ownership type, company 'philosophy', size, and age affected the nature of IR/HRM policies and practices in the case companies.

Ownership structure was among the factors hypothesised to be significant in shaping the IR/HRM policies of US MNCs in Turkey. Therefore IJVs as well as WOS were selected for comparative

purposes. As diversified, large holding companies are a distinctive feature of the 'hybrid transitional' TBS, attention was paid to IJVs where such holdings were the domestic JVPs. It is argued that the different levels of strength of local JVPs in the IJVs (see Chapter 4) were manifested in the level of involvement in HR management: while 'strong' local JVPs were in charge of the HRM function, 'weak' local JVPs had a limited degree of involvement only in broad HRM strategy and some managerial appointment decisions, while 'dormant' Turkish JVPs were not involved in HRM (or other management) functions at all. In the first group, there were very limited relations with the US JVPs in HRM, therefore policies and practices were either transferred from the Turkish JVPs or developed in the IJV with the participation of Turkish holdings. In the case of weak or dormant local JVPs, US partners were totally in charge of HRM and US corporate policies and practices were transferred and/or adapted to the local conditions. It is argued that there were two other reasons for US parents to leave HRM to the local JVPs. These include, firstly, the nature of entry to the Turkish market (i.e. brownfield vs. greenfield), which can also influence the power of the local JVPs and secondly, the 'Americanised' nature of HRM and the training and qualification of HR (and other) professionals in the leading Turkish holdings, which together resulted in the 'contracting out' of HRM to the local partner.

In the brownfield IJV investments, the IR/HRM 'tradition' and the Turkish holdings' 'legacy' had already been established, as these companies had been previously managed by the Turkish holdings. This long-standing managerial tradition provided the local partners with a competitive edge in taking on HRM responsibility in the IJV. In the greenfield IJV investments however, both partners started as equals, and there was no such an IR/HRM 'tradition'. Therefore US JVPs were able to establish their own IR/HRM policies and practices from scratch.

The other explanation for the entrusting of HRM to the Turkish JVPs was the high level of sophistication in HRM and the resemblance between HRM policies and practices in the respective holdings and those of US MNCs. In developing 'contemporary' HRM systems in PM, C&B, R&S, succession and career planning, the leading Turkish holding companies sought input from American (and other foreign) partners and employed the services of American consultancy companies. Their efforts therefore resulted in highly 'Americanised' HRM systems that were in effect very similar to what the American partners would like to have in place. Moreover, HR professionals had 'Americanised' training and qualifications, and hence a positive attitude towards 'American-style' HRM: top managers in those companies with 'elite' educational backgrounds, from either abroad or American-style schools and universities in Turkey, where familiarity with American 'mind-set' is developed, contributed to the 'Americanisation' of HRM in their companies. The interaction of these two significant factors, i.e. attitudes of local managers towards country-of-origin policies and practices

on the one hand and ‘pull’ effects at the organisational level on the other, is argued to have contributed to the willingness of the American JVPs to ‘contract out’ HRM to their local partners.

Company ‘philosophy’ and the corporate founder’s attitudes were also significant organisational factors in determining IR policies and employment systems. Unionisation in the permissive and highly pro-business Turkish environment depended mainly on the company’s attitude towards unions: if the US parent was against unionisation or had an anti-union attitude, it was unrealistic for the unions to attain the necessary organisational requirements as companies had a number of entirely legal methods at their disposal to de-unionise or stay non-unionised. Even in the case where the Turkish JVP had the HRM responsibility, it was the US JVP’s stance against collective employment relations that resulted in de-unionisation, despite the strong labour union and union-friendly Turkish JVP. On the other hand, it was also mainly due to the US parent’s corporate ‘philosophy’ and ‘corporate values’ that the case company in the textile manufacturing sector was unionised despite low unionisation rates and a weak labour union. In the same case company, the ILM approach in a sector with low-skill requirements and in a host country where such labour is abundant was similarly explained by the US parent’s ‘socially responsible’ attitude towards its employees.

Two other organisational level features, age and size of the studied firms, had a direct influence on the formation of IR/HRM policies and practices in the host-country. The oldest company among the core cases had been in operation since 1959 and the newest since 1994. The considerable length of operations of the case companies, in common with many of the large FDI firms in Turkey, resulted in well-established and highly developed IR/HRM policies and systems. In terms of size, except AutoCO1, the case companies were not particularly large among the US parents’ foreign subsidiaries. They were however among the key players, particularly in their sectors and in the Turkish economy according to various criteria (production, sales, exports, profits). Although their comparatively small size made it possible to recruit the best available labour force it did not result in less developed or unsophisticated HRM systems or applications. They were able to tap the limited supply of high quality labour through such sophisticated policies and practices, in turn making possible the transfer of complex parent company production systems and quality standards.

9.2.2. *THE INTERACTION OF DIFFERENT INFLUENCES IN THE TRANSFER AND IMPLEMENTATION OF HRM POLICIES AND PRACTICES AT US MNCs IN TURKEY*

The analytical framework developed for this study to analyse how IR/HRM policies and applications of MNCs are shaped in a particular host-country include four forces, namely host- and home-country, sectoral and organisational factors, that can work in parallel or opposition. This thesis asserts that the interplay between these main forces, rather than any single one of them, is key to the formation of

IR/HRM policies and applications at the subsidiary level. Moreover, a precise HRM strategy (e.g. an ethnocentric approach that aims to transfer all home-country practices to the host-country, or a polycentric approach adopting local practices) that applies to all IR/HRM policies cannot be identified. US MNCs use different strategies in different HRM areas, and strategies are shaped by the interplay of relevant factors. Nevertheless, policies in the various HR areas analysed are related to and aligned with each other. For instance, the ILM approach was employed in the core cases as a result of the interaction of home-country, host-country, sectoral and organisational influences: ILM approaches evidently still existed in the US MNCs included in this research, despite the growing claims for their decline and replacement with ELM systems in the US. A similar finding was confirmed by Butler *et al.* (2006) for managerial careers in European subsidiaries. In Turkey, the interaction of host-country labour market conditions (the availability and cost of necessary labour) and sectoral conditions (high labour qualification requirements for sophisticated production systems, teamworking organisation structures and stringent quality targets from US parents requiring a trainable and flexible workforce) supported the transfer and application of this particular employment system. Had labour market conditions been different (e.g. higher cost of labour) or had the supply of labour with the necessary qualifications been greater, US MNCs might have adopted ELM or 'core-periphery' models in Turkey.

The interplay between these major forces resulted in the transmission and central administration of most policies and the localisation of others. For instance, diversity policies were not transferred and applied as strictly as in the home-country operations in the permissive legislative host environment. Even in those companies where more emphasis was placed on 'diversity', it was limited to the gender dimension and to managerial positions, disregarding age, disability and sexual preference aspects in the Turkish environment. The localisation of recruitment methods, e.g. the use of informal tools such as word of mouth, personal networks and suggestions, although they were prone to violating equal employment opportunities, could also be explained by the lack of restrictive legislation. Case companies were at the same time able to transfer sophisticated corporate policies such as competency-based R&S generally without relaxing selection criteria as they could reach a sufficient number of candidates with the necessary qualifications to fill the positions in the comparatively small subsidiaries where growth was not a business strategy at the time of the fieldwork. They transferred more sophisticated corporate recruitment tools, e.g. electronic recruitment and educational links, not only as the Turkish environment provides the necessary infrastructure to use such methods but also because these were valuable tools for reaching the right kind of workforce for managerial and white-collar positions.

In IR, the interaction of various factors was less significant, while US parent's corporate IR policy ('embedded' in the home-country business system) was fundamental. Non-unionised IR was

applicable straightforwardly in Turkey, usually without necessitating the use of illegal or harsh methods, given the host-country factors. Even with relatively stronger labour unions, companies were able to de-unionise or stay non-unionised by using the permissive and pro-business legislation. Also in the unionised companies it was basically the corporate policy that was transferred. In this transfer, various sectoral factors (e.g. skill requirements, quality issues, target markets, labour market conditions, and strong employers' associations) interacted to encourage the process. As a result, US MNCs might have felt more able to transfer their corporate 'preference' for non-unionised labour relations.

Attitudes of the local managers, particularly those in the key positions with 'elite' and 'Americanised' educational backgrounds and mindsets, were a significant determinant of the degree and success of transfer of corporate policies to the Turkish subsidiaries. Corporate policies, as developed in the USA, were perceived to be the latest trends and as embodying best practice, and managements were eager to transfer and apply these methods. US parents were perceived as valuable resources. Therefore US MNCs did not experience open opposition from local managers in transferring their corporate policies and systems.

The significance and level of these influences were found to be variable, not static. Changes in legislation and economic conditions, for instance, could increase the state's level of influence while leading to minor or major amendments in relevant HRM practices. Variations in competition and market structures in the industry, and changes in corporate and subsidiary business strategy, could all result in a different interplay among these forces. For instance, when the inflation rate started to decrease and stabilise, and private pension plans were brought in to reduce the social security burden on the state, US MNCs responded by limiting salary increases to once a year, linked entirely to performance, and started to introduce contributions to private pension plans.

To sum up, institutionally disparate host and home business systems do not necessarily preclude successful transfer of corporate HRM policies. Given the strong influence of interplay between various forces at multiple levels, HRM policies developed in a distinct business system are observed to be transmitted to subsidiaries in a very different system, if complementary factors, e.g. permissive and pro-business legislation, exist. However some policies might need to be adapted to local conditions, given the local power of subsidiaries to resist and to develop their own policies.

In the first part of this chapter, influences at three levels and their interaction in the transfer and formation of IR/HRM policies and applications were discussed. In the next part, the theoretical questions are addressed, in particular the significance of Turkey as a host country and the wider implications of this research.

9.3. THEORETICAL IMPLICATIONS

National business systems provide different institutional environments for MNCs to develop their management policies. They might find permissive, 'weaker' systems easiest to transfer their home-grown policies to, while transmission of corporate management practices will be more difficult in 'closed', i.e. integrated, cohesive, firmly established systems (Whitley, 1992). Particularly with the increased importance of transnational influences on national business systems, however, these can be considered two extreme ends of a spectrum, where 'hybrid transitional' cases exist. This study argues that in some developing and emerging countries, such as Turkey, MNCs can find a mixture of institutional factors from both permissive and closed systems. While such host environments, where domestic companies are in fact willing to learn from American firms' practices, provide opportunities to easily diffuse their novel management practices, they might also present complex situations that require high levels of learning and adaptability on the US MNCs' part.

9.3.1. *'HYBRID TRANSITIONAL' HOST-COUNTRY*

A 'hybrid transitional' host business system is defined as one that has elements of both LMEs and CMEs (Hall and Soskice, 2001), cannot be easily classified within a geographical cluster, e.g. 'Mediterranean', by considering only some institutional elements (e.g. agriculture as the largest sector and extensive state intervention), and is undergoing rapid and considerable change. It is now widely acknowledged that even the most densely institutionalised business systems are subject to change, therefore all business systems can arguably be defined as 'transitional' to some degree. However, 'hybrid transitional' systems are under considerably more pressure than those that have been more established for a longer time, i.e. those that can be classified as CMEs or LMEs. Hybrid systems are 'transitional' as a result of being more open to international influences for change both from 'trickle-down' trajectories, for example deriving from regional economic structures (e.g. the EU) and transnational economic organisations (e.g. the IMF), and from 'trickle-up' trajectories, e.g. sectoral influences, foreign firms, particularly consulting companies, as a result of national efforts for improvement and FDI inflows in various sectors (Djelic and Quack, 2003). Another significant characteristic of 'hybrid transitional' systems is therefore willingness for change among key institutional actors, which results in domestic mechanisms to 'pull' in change from abroad. In other words, in 'hybrid transitional' systems, we can see the 'institutional entrepreneurship' of 'trickle-up' actors who are constantly trying to recombine the available institutional elements while constantly looking beyond the boundaries of the business system for new elements to incorporate (e.g. Crouch, 2005). Finally, changes experienced in an established NBS as result of evolution over time normally amount to incremental modifications within an existing model, and do not necessarily result in a major

move from, say, LME to CME. 'Hybrid transitional' systems are in contrast defined as comprising elements of various typologies and they may well move from one category towards another, hence 'hybrid' and 'transitional'. The hybrid nature of such systems makes them more volatile since their institutional elements can be recombined in different ways as change occurs. In other words, change in hybrid transitional systems may bring about fundamental changes in their underlying identity and characteristics.

In this study, Turkey is presented as an example of a 'hybrid transitional' business system. Classified generally among the developing countries by many transnational institutions, including the OECD, according to various economic indicators, e.g. GDP per capita, growth rate, size of domestic market, internal sources of capital, it has a place in the upper group of developing countries. Moreover, some elements of its internal strength, e.g. its history of industrialisation and the development of private sector, the quality of certain parts of the infrastructure (e.g. communication and IT technologies), and its geopolitical location (nearness to Europe and other emerging markets) provide Turkey with a more privileged position among the developing countries. However, long-term economic and political instability, the continued dominance of the state in the economy, a lack of transparency and widespread bribery, ambiguity in the enforceability of regulations, and the low quality and limited reach of education are among the factors that have given it a more underdeveloped character. Some of these factors are undergoing considerable change, particularly those regarding the role of state in the economy, transforming non-market coordination mechanisms towards more market-driven ones. While the financial system keeps its credit-based character, with the diminished role of the state, increased share of foreign capital, legal arrangements for enhanced control and transparency, it is also 'pulled' towards more market-driven mechanisms as the main actors are enthusiastic for such changes. The unitary education and training system, however, is still underdeveloped and change is experienced much more slowly. Business associations are starting to gain more active and powerful positions, as particularistic relations with the state start to reduce, even if slowly. The industrial relations system remains similar to those in LMEs, where labour unions are weak, labour markets, recruitment and selection and performance management are flexible and deregulated. Given these characteristics, the Turkish institutional environment is going through a 'hybridisation' process, which is largely triggered by influences of globalisation.

In addition to the 'hybrid transitional' character of the host country, the 'dominance effect' of home countries is an important factor in the change process in institutional environments. Both in 'trickle-up' and 'trickle-down' trajectories, power and the degree of centrality of a particular country (or group of countries) in the formation and stabilisation of transnational rules, are important conditioners of how these trajectories work (Djelic and Quack, 2001:312-319). As argued before, the USA and some (rich and highly developed) EU countries are in more powerful and central positions in cultivating,

disseminating and imposing transnational rules on other, less powerful, countries. In the case of 'hybrid transitional' countries, e.g. Turkey, dominance ('diffusion' or 'push') effects are combined with attraction ('pull') factors, which might also result in easier transfer, and 'hybridisation' of HRM policies and practices in the host environment.

9.3.2. *THE TRANSFER OF IR/HRM POLICIES AND PRACTICES IN A 'HYBRID TRANSITIONAL' HOST BUSINESS SYSTEM*

A 'hybrid transitional' host country can therefore provide both a permissive and a constraining environment for MNCs to transfer (or not) their IR/HRM policies and practices. Firstly, the environment can be legally not constraining; on the contrary, there might be a pro-business approach where legislation is relaxed for the benefit of employers and enforcement is not strongly pursued. This study empirically finds that under such conditions, US MNCs have the choice of transferring their preferred strategies and of not transferring those they think they do not need in the host environment. An example of the first scenario is the corporate 'philosophy' of non-unionisation among most of the case companies. This was easily transferred to Turkey where organising collective representation by labour unions is made extremely difficult under the prevailing legislative framework. Moreover, performance management systems, including performance evaluation and performance-related pay, could be applied in the absence of any constraining legislation. As for the second situation, diversity management policies and applications, together with equal employment opportunities that are emphasised strongly in the US within a stringent legal framework, were not transferred to the legally permissive Turkish environment with its allegedly homogeneous workforce. Another explanation for the US company not transferring its diversity policy could be related to the costs for the parent: in a weak host context with poor enforcement, it could get away without incurring the cost.

However, the 'hybrid transitional' host environment can be constraining through factors other than legislation. Based on empirical evidence, this research argues that US MNCs chose to transfer corporate ILM employment systems to the Turkish host environment where labour market conditions both necessitate and make their application possible. On the one hand, the limited availability of skilled and educated labour favours ILM approaches, aligned with other supporting HRM practices. On the other hand, high-cost ILM employment systems are viable in the Turkish environment where the total cost of labour is still relatively low, particularly given productivity levels. Even in the companies where a rather inflexible salaried system was applied, employers were able to achieve cooperation for flexibility with the help of labour unions that collaborated with the management.

Thirdly, local firms and business associations in a 'hybrid transitional' host country can be much more powerful partners than those in less developed or emerging countries. In Turkey, diversified family-owned holding companies, as the prominent form of large businesses, in particular have such sources of strength as:

- market power and knowledge;
- strong links with the state;
- longstanding experience in the sector;
- good reputation in the domestic market;
- distributional expertise;
- access to financial resources;
- strong links to business associations.

In their business partnerships with US MNCs, acting on such sources of power, some Turkish holdings were particularly strong JVPs. Their strength was manifested in the degree of their involvement in strategic and operational management, in HRM specifically. The 'hybrid transitional' character of the business system meant that American companies could have equally strong domestic partners who did not accept to act only as 'dormant' partners and refrain from intervening in the management of the company. Such strong local JVPs shared ownership as well as management responsibilities with their American partners. In many cases, this meant that HRM was left (or rather 'outsourced') to the Turkish parent, and the US parent did not have direct control and influence on HRM policies and practices.

Another feature of a 'hybrid transitional' business environment is the availability of a highly qualified managerial workforce and the degree of advancement attained in HRM. Although 'elite' managerial employees are few in number in Turkey, with their education in American-style schools in Turkey or abroad, their quality is high. With the help of their 'Americanised' mindset as well as the specific 'dominance effect' of the USA as the longstanding ally of Turkey, management and HRM were (or at least inclined to be) 'Americanised'. 'Attraction' (or pull) effects were also highly visible in the adoption of 'contemporary', i.e. mostly American, HRM strategies and practices by these major holdings in Turkey. Top managements at the holding level were proud to be enthusiastic about learning and transferring HRM policies and practices, albeit with some adaptations, from their JVPs and then to diffuse these to their affiliates. This could ease partnerships between Turkish and American companies in terms of management policies and practices, as managerial understandings were very similar, whereas this 'Americanised' 'hybrid transitional' environment might present more problems for other home-country MNCs.

Finally, sectoral and organisational influences can become more or less salient within the ‘hybrid transitional’ host environment. On the one hand, particular operation systems (e.g. complex manufacturing systems in automobile production or high-end clientele who expect high quality service) require a more skilled and educated workforce in general, while these sectoral features mean the adoption of ILM systems within a host environment in which such labour is scarce. On the other hand, non-unionist organisational strategy becomes easily transferable in the permissive and pro-business Turkish IR environment.

In summary, US MNCs operating in ‘hybrid transitional’ host systems are faced with a complicated environment that consists of elements of various business systems. While providing opportunities to transfer their preferred practices, such environments also present frustration and complexity for MNCs’ operations, which sometimes require flexibility and adaptability.

9.3.3. *VARIETIES OF NATIONAL BUSINESS SYSTEMS*

As presented in the discussion of the research framework, the NBS approach within institutionalist theory is adopted in this study (Lane, 1995; Whitley, 1999; Hall and Soskice, 2001). It provides a useful analytical tool for the comparative investigation of NBS and the influences of these systems on market hierarchies and management practices, emphasising path-dependencies and causal relations. However, the NBS approach originally tended to argue that the characteristics of an institutional system gained during its development (i.e. industrialisation) period are not subject to changes unless as a result of major external shocks and critical junctures, such as wars, political system changes, etc. Even though comparative institutionalism more recently recognises continuous and cumulatively significant changes in business systems, cross-national typologies may still not describe the extent of change sufficiently.

Moreover the NBS framework is primarily developed for understanding similarities and differences among the developed economies. The model, however, neglects ‘hybrid transitional’ systems that are defined as incorporating elements of various business systems models by e.g. Whitley (1999) and Hall and Soskice (2001) *and* experiencing continuous change particularly through economic system changes and the globalisation process, most of which is in fact ‘pulled’ by the business system. In this study therefore the concept of ‘voluntary institutional dynamism’ is proposed as a significant characteristic of ‘hybrid transitional’ business systems. Voluntary institutional dynamism reflects a combination of ‘trickle-up’ and ‘trickle-down’ change processes ‘pushed’ by transnational institutions and influences of the globalisation process (Djelic and Quack, 2001), *and* a willingness by some of the major actors, particularly business, to ‘pull’ in such changes from beyond the national business system. In addition to continuous and voluntary dynamism, this study argues that there are other types

of national business systems, for those that cannot be easily categorised among ‘varieties of capitalism’ (Hall and Soskice, 2001). When analysed in more detail, considering other elements of the institutional system and the characteristics of the change processes, Turkey can be more correctly classified as a ‘hybrid transitional’ system than as constituting a ‘Mediterranean’ type of capitalism with a ‘*more ambiguous position*’ (Hall and Soskice, 2001:21). While some of the characteristics on which the classification is based have also been rapidly changing, e.g. the share of agriculture in employment, GDP, the state’s role in the economy, these changes are not yet sufficient to classify Turkey either as a LME or a CME.

Whitley (1999) similarly classifies business systems into five types, each of which supports a different type of economic organisation: dirigiste, state-guided, collaborative, arm’s length and particularistic (p.54). It is argued that artisanal, allied, cooperative, isolated hierarchy and opportunistic are the dominant type of economic organisations favoured by these business system types respectively. Applying Whitley’s typology, although the Turkish business system can be categorised roughly as a state-guided system until the 1980s, starting with the liberalisation of the economy, the business system started to change. Particularly since the 1990s and more recently at the beginning of the new millennium, the Turkish business system cannot be categorised into a single type but turns into a combination of certain aspects of different types in Whitley’s classification. The system has not only been consistently changing, but economic organisations in Turkey also show some unpredicted characteristics, different from those suggested, as a result of various combinations of dominant institutions and the interdependences between them and economic actors (Whitley, 1996). For example, large, diversified and family-owned holding companies have been developing since the 1970s and have become one of the most significant types of economic organisations in Turkey, particularly since the 1980s, despite the credit-based financial system and strong state influences. SMEs at the same time have been flourishing in various sectors within the same economic system. More recently, FDI in certain significant sectors (e.g. banking) started to change the characteristics of the financial system, although it still cannot be categorised exactly into any typology. Therefore, in a ‘hybrid transitional’ national business system, not all traditional theoretical assumptions about the causal relations between the major types of firms and the national institutional elements might hold, which inevitably affects management behaviour of MNCs.

The ‘hybrid transitional’ business system was developed as a separate typology according to the features of Turkey, as it cannot be readily categorised into previous models. It is argued that ‘hybrid transitional’ was not an ad hoc formulation for Turkey and there are most probably other business systems that share similar features with it, such as those classified in the ‘Mediterranean’ cluster by Hall and Soskice (2001) and Amable (2003), i.e. France, Italy, Spain, Portugal, and Greece, which cannot be classified within either LMEs or CMEs. Although a detailed discussion of similarities and

differences is beyond the scope of this study, there is substantial evidence in the literature that some of these countries, for instance Spain, have gone through similar changes as a result of trickle-down and trickle-up trajectories (e.g. EU influences and increased FDI) and dominance effects (e.g. Spanish managers perceiving American management as the model to which to aspire, see Wächter *et al.*, 2006; Almond and Gonzalez Menendez, 2006). Eastern European countries, particularly those that have (or aspire to) become EU members recently, might also be classified as ‘hybrid transitional’ given the continuous and drastic changes their systems have been experiencing after the collapse of the communist economic and political systems in these countries. It should be noted that as an important aspect of ‘hybrid transitional’ NBS, differences and changes might be observed in different elements, to differing levels in different countries, as a result of different ‘path dependencies’ as argued by the institutionalist theory, where ‘fit’ between institutional spheres does not necessarily always hold (Almond and Gonzalez Menendez, 2006). In other words, ‘hybrid transitional’ NBS might have variations in the elements of their systems along the dimensions such as *i)* the degree of heterogeneity of the ‘hybridity’ elements; *ii)* the speed of development and change, reflecting the influences of both external pressures and internal developments; *iii)* the role of internal actors in ‘pull’ factors: where actors might move abruptly to pull institutional elements from outside (e.g. Eastern European countries), or alternatively where such pull factors might have operated through a more gradual and longer process (e.g. Turkey). Finally, ‘hybrid transitional’ systems are not necessarily expected to move towards either LMEs or CMEs, despite significant ‘pull’ and ‘push’ factors and ‘dominance’ effects. Instead they might develop different archetypes of NBS, as the consequences of the influences on the nature and extent of change are ‘*complex and strongly socially embedded.*’ (Almond and Gonzalez Menendez, 2006:421).

9.4. RESEARCH LIMITATIONS AND IMPLICATIONS FOR FUTURE RESEARCH

Like many other similar studies, this research has been conducted within a limited time period using scant financial resources available to a single researcher. Therefore it is inevitably subject to certain limitations. Firstly, subsidiaries of only one nationality were studied. Focusing on American MNCs is justified on sound theoretical and empirical grounds, and is appropriate to answer the broader research question about influences of home- and host-countries on the transfer of HRM policies and practices. However, considering companies from other home-countries, especially those with significantly different business systems, e.g. Germany or Japan, might provide comparative findings for understanding the response of MNCs from different nationalities to the same host-country environment. It would also be interesting to investigate JVPs from these countries and the interaction with HRM policies of Turkish JVPs. Such comparative research would provide additional evidence about the ‘Americanisation’ of HRM in Turkey. Findings might also help differentiate ‘country of origin’ influences from ‘dominance’ effects, as the behaviour of American MNCs is strongly

influenced by the global economic and political dominance of the USA. With the single-country design used and the USA chosen as the country of origin, separating 'dominance' effects clearly from home-country influences is not always easy or attainable. Although US MNCs were originally chosen to investigate both 'dominance' and country of origin influences, evidence from non- or less dominant countries can provide insight into the corporate attitudes of such companies towards forward diffusion of home-grown policies and practices.

Secondly, companies operating in numerous sectors were researched in order to consider sectoral influences. However, not many specific sectoral influences were strongly reflected in the main substantive HRM areas investigated. This is possibly due to the biased set of cases selected: they were all well-established and large (within the Turkish environment) companies and key players in their sectors with formal HRM policies and systems in place. Moreover, they commonly had either complex production systems, high quality requirements and export orientations in manufacturing companies, or provided complex services with high skill requirements or for highly elite customers with high quality expectations. Most significantly, there were no cases from the important sub-group of US MNCs that are known to pursue 'low-road' HR/IR approaches, e.g. McDonald. While the chosen set of cases proved to be important in various respects for understanding the transfer and formation of HRM policies, the results display rather uniform patterns of employment systems, R&S methods, PM and C&B systems as large and long-established US MNCs form a distinctive group of companies, particularly in the Turkish business environment. Findings from more labour-intensive companies at the low-cost, low-skill end of the labour market, e.g. fast-food, might provide meaningfully different results.

Thirdly, employees' perceptions of and perspectives on the actual application of policies were not sought in this study. Therefore the findings reflect managers' and unions' perspectives. Although the investigation of the specific research questions in this study did not require incorporation of employees' views and every effort was made for triangulation of information from different sources, one should still be aware that the findings do not indicate employees' perception of the application of HRM policies, which might be considerably different from those of management. Fourthly, getting US corporate HQ's input was not possible due to lack of time, resources and contacts in the 'remote' HQs with whom HR people in the Turkish subsidiaries had almost no direct relationship; to some degree, however, interviews at the regional HQ and expatriates served as a substitute.

Lastly, one needs to be cautious in making broad generalisations to a large a number of MNCs, even though the qualitative case study method adopted here allows theoretical generalisations and is very effective in investigating the research questions in considerable depth.

It was not possible to extend this particular study to overcome these limitations with the resources available to a single researcher. However future research might be broadened by including different sectors, small and more recently established foreign firms, and companies from different countries of origin. Results of this research could be used to devise a survey to cover a larger number of companies, which would illustrate the bigger picture and systematically investigate the interplay between NBS, sector and company-specific factors. Additionally, employees' perspectives and perceptions could be included for related research questions while getting corporate HQ view would result in more reliable, fully triangulated results.

Finally, future research needs to include more developing and emerging countries to extend the countries where empirical research findings are obtained. This would provide the opportunity to test not only the institutional theory developed and tested mostly in the developed capitalist economies but also to see the differences between the transfer of management policies to developing and transition countries that are significantly distinct in terms of institutional characteristics. While focusing on countries that are economically similar facilitates comparison, findings from subsidiaries in dissimilar countries can offer additional insight and extend the scope of generalisations. Influences of trickle-down and trickle-up trajectories as well as 'dominance effects' on the transfer of home-grown policies in economically less developed countries are also open for investigation. Research in such countries will help refine the 'hybrid transitional' business system typology proposed by this study and assist the understanding of dimensions of internal variation and sub-divisions within the model.

CHAPTER 10. REFERENCES

- Adler, N., 1991, *International Dimensions of Organizational Behaviour*. Boston: PWS-Kent.
- Almond, P. and Ferner, A. (eds), 2006, *American Multinationals in Europe: Managing Employment Relations Across National Borders*. Oxford: OUP.
- Almond, P. and Menendez Gonzalez, M., 2006, 'Varieties of Capitalism: The Importance of Political and Social Choices', *Transfer*, 12:3, 407-425.
- Almond, P., Muller-Camen, M., Collings, D. and Quintanilla, J., 2006a, 'Pay and Performance', in Almond, P. and Ferner, A. (eds), *American Multinationals in Europe: Managing Employment Relations Across National Borders*. Oxford: OUP, 119-45.
- Almond, P., Colling, T., Edwards, T. and Ferner, A., 2006b, 'Conclusions', in Almond, P. and Ferner, A. (eds), *American Multinationals in Europe: Managing Employment Relations Across National Borders*. Oxford: OUP, 271-290.
- Amable, B., 2003, *The Diversity of Modern Capitalism*. Oxford: OUP.
- Arthur Andersen, 1999, *2000'e Doğru İnsan Kaynakları Araştırması (Human Resource Survey Towards 2000)*. Istanbul: Doğan.
- Arthur Andersen, 2000, *2001'e Doğru İnsan Kaynakları Araştırması (Human Resource Survey Towards 2001)*. İstanbul: Doğan.
- Bartlett, C. A. and Ghoshal, S., 1998, *Managing Across Borders. The Transnational Solution*. Boston: Harvard Business School Press.
- Beaumont, P. and Townley, B., 1985, 'Non-Union American Plants in Britain: Their Employment Practices', *Relations Industrielles*, 40:4, 810-825.
- Beechler, S. and Yang, J. Z., 1994, 'The Transfer of Japanese-Style Management to American Subsidiaries: Contingencies, Constraints, and Competencies', *Journal of International Business Studies*, 25:3, 467-491.
- Berg, B. L., 1995, *Qualitative Research Methods for the Social Sciences*. Boston: Allyn and Bacon.

Berkman, Ü. and Özen, Ş., 2007, 'Turkish Business System and Managerial Culture: State-Dependency and Paternalism in Transition', in Davel, E., Dupuis J-P. and Chanlat, J-F. (eds), *Gestion en Contexte Intercultural: Approaches, Problematiques, Pratiques et Plongees*. Quebec: Presse de l'Universite Laval et TELUQ/UQAM, 1-25.

Bianchi, R., 1984, *Interest Groups and Political Development in Turkey*. Princeton: Princeton University Press.

Björkman, I. and Furu, P., 2000, 'Determinants of Variable Pay for Top Managers of Foreign Subsidiaries in Finland', *International Journal of Human Resource Management*, 11:4, 698-713.

Bloom, M., Milkovich, G. T. and Mitra, A., 2003, 'International Compensation: Learning from How Managers Respond to Variations in Local Host Contexts', *International Journal of Human Resource Management*, 14:8, 1350–1367.

Boyer, R., 1998, 'Hybridization and Models of Production: Geography, History and Theory', in Boyer, R. et al. (eds) *Between Imitation and Innovation: The Transfer and Hybridization of Productive Models in the International Automobile Industry*. Oxford: OUP, 23-56.

Boyer, R., Charron, E., Jürgens, U. and Tolliday, S. (eds), 1998, *Between Imitation and Innovation: The Transfer and Hybridization of Productive Models in the International Automobile Industry*. Oxford: OUP.

Brewster, C., 2000, 'HRM: the European Dimension', Storey, J. (ed), *Human Resource Management: A Critical Text*. London: Routledge, 255-271.

Buğra, A., 1994, *State and Business in Modern Turkey. A Comparative Study*. New York: SUNY Press.

Butler, P., Collings, D., Peters, R. and Quintanilla, J., 2006, 'The Management of Managerial Careers', in Almond, P. and Ferner, A. (eds), *American Multinationals in Europe. Managing Employment Relations Across National Borders*. Oxford: OUP, 172-194.

Büyükuslu, A. R., 1994, *Trade Unions in Turkey: An Analysis of Their Development and Present Situation*. Unpublished PhD thesis. Coventry: University of Warwick.

- Capelli, P., 1995, 'Rethinking Employment', *British Journal of Industrial Relations*, 33:4, 563-602.
- Capelli, P., 1999, 'Career Jobs are Dead', *California Management Review*, 42:1, 146-67.
- Chandler, A., 1990, *Scale and Scope: The Dynamics of Industrial Capitalism*. Cambridge, MA: Belknap Press.
- Child, J. and Faulkner, D., 1998, *Strategies of Co-operation Managing Alliances, Networks, and Joint Ventures*. Oxford: OUP.
- Clark, I., 2000, *Governance, The State, Regulation and Industrial Relations*. London: Routledge.
- Clark, I. and Almond, P., 2006, 'Overview of the US Business System', in (eds) Almond, P. and Ferner, A., *American Multinationals in Europe. Managing Employment Relations Across National Borders*. Oxford: OUP, 37-56.
- Claydon, T., 2004, 'Human Resource Management and the Labour Market', in (eds) Beardwell, I., Holden, L., Claydon, T., *Human Resource Management A Contemporary Approach*. 4th Edition, Harlow: Pearson Education, 115-156.
- Colling, T., 2001, *In a State of Bliss There is No Need for a Ministry of Bliss: Some Further Thoughts on Welfare Capitalism*. Leicester Business School Occasional Papers, no. 62. Leicester: De Montfort University.
- Colling, T. and Clark, I., 2002, 'Looking for "Americanness": Home-Country, Sector and Firm Effects on Employment Systems in an Engineering Services Company', *European Journal of Industrial Relations*, 8:3, 301-324.
- Colling, T., Gunnigle, P., Quintanilla, J. and Tempel, A., 2006, 'Collective Representation and Participation', in Almond, P. and Ferner, A. (eds), *American Multinationals in Europe. Managing Employment Relations Across National Borders*. Oxford: OUP, 95-118.
- Çetik, M. and Akkaya, Y., 1999, *Türkiye'de Endüstri İlişkileri (Industrial Relations in Turkey)*. Istanbul: Türkiye Ekonomik ve Toplumsal Tarih Vakfı.
- Deeg, R. and Jackson, G., 2007, 'Towards a More Dynamic Theory of Capitalist Variety', *Socio-Economic Review*, 5, 149-179.

- Demirbağ, M., Mirza, H. and Weir, D. T. H., 1995, 'The Dynamics of Manufacturing Joint Ventures in Turkey and the Role of Industrial Groups', *Management International Review*, 35:1, 35-51.
- Denzin, N. K. and Lincoln, Y. S., 1994, 'Introduction: Entering the Field of Qualitative Research', in Denzin, N. K. and Lincoln, Y. S. (eds), *Handbook of Qualitative Research*. London: Sage, 1-18.
- DiMaggio, P. and Powell, W., 1983, 'The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields', *American Sociological Review*, 48, 147-160.
- Djelic, M.-L. and Quack, S., 2003, 'Conclusion: Globalization as a Double Process of Institutional Change and Institution Building', in Djelic, M.-L., and Quack, S. (eds), *Globalization and Institutions: Redefining the Rules of the Economic Game*. Cheltenham: Edward Elgar, 302-333.
- Dobbin, F., 1994, *Forging Industrial Policy: The United States, Britain, and France in the Railway Age*. Cambridge: Cambridge University Press.
- Dowling, P., Welch, D. and Schuler, R., 1999, *International Dimensions of Human Resource Management*. Belmont: Wadsworth.
- Edwards, T. and Kuruvilla, 2005, 'International HRM: National Business Systems, Organizational Politics and the International Division of Labour in MNCs', *International Journal of Human Resource Management*, 16:1, 1-21.
- Edwards, T., Colling, T. and Ferner, A., 2007, 'Conceptual Approaches to the Transfer of Employment Practices in Multinational Companies: An Integrated Approach', *Human Resource Management Journal*, 17:3, 201-217.
- Eisenhardt, K., 1989, 'Building Theories from Case Study Research', *Academy of Management Review*, 14:4, 532-550.
- Elger, T. and Smith, C., 2006, 'Theorizing the Role of the International Subsidiary: Transplants, Hybrids and Brach-Plants Revisited', in Ferner, A., Quintanilla, J. and Sánchez-Runde, C. (eds), *Multinationals, Institutions and the Construction of Transnational Practices: Convergence and Diversity in the Global Economy*. London: Palgrave Macmillan, 53-85.

- Ferner, A., 1997, 'Country of Origin Effects and Human Resource Management in Multinational Companies', *Human Resource Management Journal*, 7:1, 19-37.
- Ferner, A. and Quintanilla, J., 1998, 'Multinationals, National Business Systems and HRM: the Enduring Influence of National Identity or a Process of 'Anglo-Saxonization'', *The International Journal of Human Resource Management*, 9:4, 710-731.
- Ferner, A. and Quintanilla, J., 2002, 'Between Globalization and Capitalist Variety: Multinationals and the International Diffusion of Employment Relations', *European Journal of Industrial Relations*, 8:3, 243-250.
- Ferner, A. and Tempel, A., 2006, 'Multinationals and National Business Systems: A 'Power and Institutions' Perspective', in Almond, P. and Ferner, A. (eds), *American Multinationals in Europe: Managing Employment Relations Across National Borders*. Oxford: OUP, 10-33.
- Ferner, A., Almond, P. and Colling, T., 2005a, 'Institutional Theory and the Cross-National Transfer of Employment Policy: The Case of 'Workforce Diversity' in US Multinationals', *Journal of International Business Studies*, 36, 304-321.
- Ferner, A., Quintanilla, J. and Varul, M. Z., 2001, 'Country-of-Origin Effects, Host-Country Effects and the Management of HR in Multinationals: German Companies in Britain and Spain', *Journal of World Business*, 36:1, 107-128.
- Ferner, A., Quintanilla, J. and Sánchez-Runde, 2006, 'Introduction: Multinationals and the Multilevel Politics of Cross-National Diffusion', in Ferner, A., Quintanilla, J. and Sánchez-Runde, C. (eds), *Multinationals, Institutions and the Construction of Transnational Practices: Convergence and Diversity in the Global Economy*. London: Palgrave Macmillan, 1-23.
- Ferner A., Varul, M. Z., Colling, T. and Edwards, T., 2005b, 'Policies on Union Representation in US Multinationals in the UK: Between Micro-Politics and Macro-Institutions', *British Journal of Industrial Relations*, 43:4, 703-728.
- Ferner, A., Clark, I., Colling, T., Edwards, T., Holden, L. and Muller-Camen, M., 2004, 'The Dynamics of Central Control and Subsidiary Autonomy in the Management of Human Resources: Case Study Evidence from US MNCs in the UK', *Organization Studies*, 25:3, 363-391.

- Flanders, A., 1964, *The Fawley Productivity Agreements. A Case Study of Management and Collective Bargaining*. London: Faber & Faber.
- Foulkes, F., 1980, *Personnel Policies in Large Nonunion Companies*. Englewood Cliffs, NJ: Prentice Hall.
- Godard, J. and Delaney, J., 2000, 'Reflections On the High Performance Paradigm's Implications for Industrial Relations As a Field', *Industrial and Labor Relations Review*, 53:3, 482-502.
- Gooderham, P. N., Nordhaug, O. and Ringdal, K., 1998, 'When in Rome, Do They Do as the Romans? HRM Practices of US Subsidiaries in Europe', *Management International Review*, 38:2, pp. 47-64.
- Hall, P. and Soskice, D., 2001, 'An Introduction to Varieties of Capitalism', in (eds) Hall, P. and Soskice, D., *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*. Oxford: OUP, 1-68.
- Hofstede, G., 1980, *Culture's Consequences: International Differences in Work-Related Values*. London: Sage.
- Hollingsworth, J. R., 1997, 'The Institutional Embeddedness of American Capitalism', in Crouch, C. and Streeck, W. (eds), *Political Economy of Modern Capitalism*. London: Sage, 133-147.
- Hollingsworth, J. R., and Boyer, R., 1997, 'Coordination of Economic Actors and Social Systems of Production', in Hollingsworth, J. R. and Boyer, R. (eds), *Contemporary Capitalism. The Embeddedness of Institutions*. Cambridge: Cambridge UP, 1-48.
- Hollingsworth, J. R., Schmitter, P. and Streeck, W., 1994, *Governing Capitalist Economies. Performance and Control of Economic Sectors*. Oxford: OUP.
- Innes, E. and Morris, J., 1995, 'Multinational Corporations and Employee Relations: Continuity and Change in a Mature Industrial Region', *Employee Relations*, 17:6, 25-42.
- İmamoğlu, E. O., and Karakitapoğlu-Aygün, Z., 2004, 'Self-construals and Values in Different Cultural and Socioeconomic Contexts'. *Genetic, Social, and General Psychology Monographs*, 130:4, 277-306.

- ISO, 2005, *Türkiye'nin 500 Büyük Sanayi Şirketi (500 Largest Manufacturing Companies in Turkey)*. İstanbul: İstanbul Sanayi Odası Yayınları.
- Jacoby, S., 1991, 'American Exceptionalism Revisited: The Importance of Management', in Jacoby, S. (ed), *Masters to Managers. Historical and Comparative Perspectives on American Employers*. New York: Columbia University Press, 173-200.
- Jacoby, S., 1997, *Modern Manors: Welfare Capitalism Since the New Deal*. Princeton, NJ: Princeton University Press.
- Janesick, V. J., 1994, 'The Dance of Qualitative Research Design: Metaphor, Methodology, and Meaning', in Denzin, N. K. and Lincoln, Y. S. (eds), *Handbook of Qualitative Research*, London: Sage, 209-219.
- Johnson, C., 1982, *MITI and the Japanese Miracle*. Stanford: Stanford University Press.
- Kağıtçıbaşı, Ç., 1996, *Family and Human Development Across Cultures: A View from Other Side*. New Jersey: Lawrence Erlbaum.
- Katz, H. and Darbishire, O., 2000, *Converging Divergences. Worldwide Changes in Employment Systems*. Ithaca: Cornell University Press.
- Kelly, J., 2000, *Rethinking Industrial Relations Mobilization, Collectivism and Long Waves*. London: Routledge.
- Kepenek, Y. and Yentürk, N., 2000, *Türkiye Ekonomisi (Turkish Economy)*. İstanbul: Remzi.
- Kerr, C., Dunlop, J. T., Harbison, F. and Myers, C. A., 1960 (1969), *Industrialism and Industrial Men: The Problems of Labour and Management in Economic Growth*. New York: OUP.
- Kochan, T., Katz, H. and McKersie, R., 1994, *The Transformation of American Industrial Relations*. Ithaca: ILR/Cornell University Press.
- Koç, Y., 1999a, *Workers and Trade Unions in Türkiye*. Ankara: TÜRK-İŞ.
- Koç, Y., 1999b, *Türkiye'de Yabancı Sermayeli Şirketlerde Sendikalaşma (Unionisation in the Foreign Capital Companies in Turkey)*. Ankara: TÜRK-İŞ Eğitim Yayınları (No: 39).

- Koç, Y., 2006, 'Türkiye'de Sendikacılık: Sorunlar ve Çözüm Önerileri' (Unionisation in Turkey: Issues and Solution Proposals), in Sazak, F. (ed), *Türkiye'de Sendikal Kriz ve Sendikal Arayışlar (Unionisation Crisis and Pursuit of Collective Solutions)*, Ankara: Epos Yayınları, 157-207.
- Kogut, B. and Singh, H., 1988, 'The Effect of National Culture on the Choice of Entry Mode', *Journal of International Business Studies*, 19:3, 411-432.
- Koray, M., 1992, *The Industrial Relations System in Turkey Developments, Problems and Expectations*. Istanbul: Friedrich Ebert Foundation.
- Kostova, T., 1999, 'Transnational Transfer of Strategic Organizational Practices: A Contextual Perspective', *Academy of Management Review*, 24:2, 308-324.
- Kostova, T. and Roth, K., 2002, 'Adoption of an Organizational Practice by Subsidiaries of Multinational Corporations: Institutional and Relational Effects', *Academy of Management Journal*, 45:1, 215-233.
- Kostova, T. and Zaheer, 1999, 'Organizational Legitimacy Under Conditions of Complexity: The Case of the Multinational Enterprise', *Academy of Management Review*, 24:1, 64-81.
- Kujawa, D., 1979, 'The Labour Relations of United States Multinationals Abroad: Comparative and Prospective Views', *Labour and Society*, 4:1, 3-25.
- Lane, C., 1988, 'Industrial Change in Europe: The Pursuit of Flexible Specialisation in Britain and West Germany', *Work, Employment and Society*, 2:2, 141-168.
- Lane, C., 1992, 'European Business Systems: Britain and Germany Compared', in Whitley, R. (ed), *European Business Systems Firms and Markets in their National Contexts*. London: Sage, 64-97.
- Lane, C., 1995, *Industry and Society in Europe*. Aldershot: Edward Elgar.
- Lane, C. and Probert, J., 2004, 'Between the Global and the Local: A Comparison of the German and UK Clothing Industry', *Competition and Change*, 8:3, 243-266.
- Laurent, A., 1983, 'The Cultural Diversity of Western Conceptions of Management', *International Studies of Management and Organization*, 13:1-2, 75-96.

- Lazonick, W., 1998, 'Organisational and International Competition', in Mitchie, J. and Grive Smith, J. (eds), *Globalization, Growth, and Governance*. Oxford: OUP, 204-38.
- LeCompte, M. D. and Preissle, J., 1993, *Ethnography and Qualitative Design in Educational Research*. San Diego: Academic Press.
- Lu, Y. and Bjorkman, I., 1997, 'HRM Practices in China-Western Joint Ventures: Multinational Company Standardization versus Localization', *The International Journal of Human Resource Management*, 8:5, 614-627.
- Mahoney, J., 2003, 'Strategies of Causal Assessment in Comparative Historical Analysis', in Mahoney, J. and Rueschemeyer, D. (eds), *Comparative Historical Analysis in the Social Sciences*. Cambridge: Cambridge University Press, 337-372.
- Malnight, T. W., 2001 'Emerging Structural Patterns within Multinational Corporations: Toward Process-Based Structures', *The Academy of Management Journal*, Vol. 44: 6, 1187-1210.
- Marginson, P. and Sisson, K., 1994, 'The Structure of Transnational Capital in Europe: The Emerging Euro-Company and Its Implications for Industrial Relations', in Hyman, R. and Ferner, A. (eds), 1994, *New Frontiers in European Industrial Relations*. Oxford: Basil Blackwell, 15-51.
- Marginson, P., Armstrong, P., Edwards, P. and Purcell, J., 1995, 'Managing Labour in the Global Corporation: A Survey-Based Analysis of Multinationals Operating in the UK', *International Journal of Human Resource Management*, 6:3, 702-719.
- Martin, R., 1992, *Bargaining Power*. Oxford: Clarendon.
- Martinez, Z. and Ricks, D. A., 1989, 'Multinational Parent Companies' Influence over Human Resource Decisions of Affiliates: U.S. Firms in Mexico', *Journal of International Business Studies*, Fall 1989, 465-487.
- Maurice, M., Sorge, A. and Warner, M., 1980, 'Societal Differences in Organizing Manufacturing Units: A Comparison of France, West Germany, and Great Britain', *Organization Studies*, 1:1, 59-86.
- Maxwell, J., 1996, *Qualitative Research Design: An Interactive Approach*. Thousand Oaks: Sage.

- McKern, B., 2003, 'Organizational Innovation in Multinational Corporations', in McKern, B. (ed) *Managing the Global Network Corporation*. London: Routledge, 1-20.
- McSweeney, B., 2002, 'Hofstede's Model of National Cultural Differences and Their Consequences: A Triumph of Faith – A Failure of Analysis', *Human Relations*, 55, 1: 89-118.
- Meardi, G. and Tóth, A., 2006, 'Who is Hybridizing What? Insights on MNCs' Employment Practices in Central Europe', in Ferner, A., Quintanilla, J. and Sánchez-Runde, C. (eds), *Multinationals, Institutions and the Construction of Transnational Practices: Convergence and Diversity in the Global Economy*. London: Palgrave Macmillan, 155-183.
- MESS, 2003, *İşveren Dergisi*, 764: May 2003, 5.
- Meyer, J. W. and Scott, W. R., 1983, *Organizational Environments Ritual and Rationality*. London: Sage.
- Miles, M. B. and Huberman, A. M., 1994, *Qualitative Data Analysis. An Expanded Sourcebook*. London: Sage.
- Muller, M., 1998, 'Human Resource and Industrial Relations Practices of UK and US Multinationals in Germany', *International Journal of Human Resource Management*, 9:4, 732-49.
- Nichols, T., and Sugur, N., 2004, *Global Management, Local Labour. Turkish Workers and Modern Industry*. Basingstoke: Palgrave Macmillan.
- O'Sullivan, M., 2000, *Contests for Corporate Control. Corporate Governance and Economic Performance in the United States and Germany*. Oxford: OUP.
- Ohmae, K., 1990, *The Borderless World*. London: Collins.
- Olie, R., 1996, 'The 'Culture' Factor in Personnel and Organization Policies', in Harzing, A.-W. and Van Ruysseveldt, J. (eds), *International Human Resource Management*. London: Sage, 124-143.
- Orru, M., Biggart, N. W. and Hamilton, G. G., 1991, 'Institutional isomorphism in East Asia', in Powell, W. W. and DiMaggio, P. J. (eds), *The New Institutionalism in Organizational Analysis*. Chicago: Chicago University Press, 361–389.

- Orum, A. M., Feagin, J. R. and Sjoberg G., 1991, 'Introduction: The Nature of the Case Study', in Feagin, J. R., Orum, A. M. and Sjoberg G. (eds), *A Case for the Case Study*. Chapel Hill: University of North Carolina Press, 1-26.
- Osterman, P., 1987, 'Choice of Employment Systems in Internal Labour Markets', *Industrial Relations*, 26:1, 46-67.
- Osterman, P., 1988, *Employment Futures*. Oxford: OUP.
- Osterman, P., 1999, *Securing Prosperity*. Princeton: Princeton University Press.
- Öncü, A. and Gökçe, D., 1991, 'Macro-politics of De-regulation and Micro-politics of Banks', in Heper, M. (ed) *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience*. Berlin: De Gruyter, 99-118.
- Öz, Ö., 1999, *The Competitive Advantage of Nations: The Case of Turkey*. Aldershot: Ashgate.
- Parlak, Z., 1996, 'The Car Workers of Bursa', in Kahveci, E., Sugur, N. and Nichols, T. (eds) *Work and Occupation in Modern Turkey*. London: Mansell, 126-148.
- Patton, M., Q., 1990, *Qualitative Evaluation and Research Methods*. Newbury Park: Sage.
- Pauly. L. W. and Reich, S., 1997, 'National Structures and Multinational Corporate Behavior: Enduring Differences in the Age of Globalization', *International Organization*, 51:1, 1-30.
- Perlmutter, H. V., 1969, 'The Tortuous Evolution of the Multinational Corporation', *Columbia Journal of World Business*, 4:1 (Jan-Feb), 9-18.
- Poole, M., 1986, *Towards A New Industrial Democracy Workers Participation In Industry*. London: Routledge and Kegan Paul.
- Porter, M., 1998, *The Competitive Advantage of Nations*. Basingstoke: Macmillan.
- Pudelko, M., 2006, 'A Comparison of HRM systems in the USA, Japan, Germany in their Socio-economic Context', *Human Resource Management Journal*, 16:2, 123-153.

- Pulignano, V., 2006, 'Patterns of Integration in American Multinational Subsidiaries in Europe', in Ferner, A., Quintanilla, J. and Sánchez-Runde, C. (eds), *Multinationals, Institutions and the Construction of Transnational Practices: Convergence and Diversity in the Global Economy*. London: Palgrave Macmillan, 131-154.
- Räsänen, K. and Whipp, R., 1992, 'National Business: A Sector Perspective', in Whitley, R. (ed), *European Business Systems: Firms and Markets in Their National Contexts*. London: Sage, 46-60.
- Reich, R., 1990, 'Who is Us?', *Harvard Business Review*, 62:1 (Jan-Feb), 53-65.
- Rosenzweig, P. M., and Nohria, N., 1994, 'Influences on Human Resource Management Practices in Multinational Corporations', *Journal of International Business*, 25:2, 229-251.
- Sakallıoğlu, Ü. C., 1991, 'Labour: The Battered Community', in (ed) Heper, M., *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience*. Berlin: Walter de Gruyter, 57-69.
- Schmitt, M., and Sadowski, D., 2003, 'A Rationalistic Cost-Minimization Approach to the Transfer of HR/IR Practices: Anglo-Saxon Multinationals in the Federal Republic of Germany', *International Journal of Human Resource Management*, 14:3, 409-430.
- Scott, W. R., 1991, 'Unpacking institutional arguments', in Powell, W. W. and DiMaggio, P. J. (eds), *The New Institutionalism in Organizational Analysis*. Chicago: Chicago University Press, 143-163.
- Scott, W. R., 1995, *Institutions and Organizations*. London: Sage.
- Scott, W. R. and Meyer, J. W., 1994, *Institutional Environments and Organizations: Structural Complexity and Individualism*. London: Sage.
- Shenkar, O., Zeira, Y., 1987, 'Human Resources Management in International Joint Ventures: Directions for Research', *Academy of Management Review*, 12:3, 546-557.
- Shibata, H., 2002, 'Wage and Performance Appraisal in Flux: A Japan-United States Comparison', *Industrial Relations*, 38:2, 192-214.
- Shire, K., 1994, 'Bargaining regimes and the social reorganization of production: the case of General Motors in Austria and Germany', in Bélanger, J., Edwards, P. and Haiven, L. (eds), *Workplace Industrial Relations and the Global Challenge*. Ithaca: ILR Press, 137-156.

Smith, C. and Meiksins, P., 1995, 'System, Society and Dominance Effects in Cross-National Organisational Analysis', *Work, Employment and Society*, 9:2, 241-267.

Snow, D. A. and Anderson, L., 1991, 'Researching the Homeless: The Characteristic Features and Virtues of the Case Study', in Feagin, J. R., Orum, A. M. and Sjoberg G. (eds), *A Case for the Case Study*. Chapel Hill: University of North Carolina Press, 148-173.

Streeck, W. and Thelen, K., 2005, 'Introduction: Institutional Change in Advanced Political Economies', in Streeck, W. and Thelen, K. (eds), *Beyond Continuity: Institutional Change in Advanced Political Economies*. Oxford: OUP, 1-39.

Şenkal, A. 1999, *Sendikasız Endüstri İlişkileri (Genel Olarak Dünyada ve Türkiye'de) (Industrial Relations without Unions-in the World and in Turkey)*. Ankara: Kamu-İş Yayınları.

Tatoğlu, E. and Glaister, K. W. 2000, *Dimensions of Western Foreign Investment in Turkey*. London: Quorum Books.

Taylor, S., Beechler, S. and Napier, N., 1996, 'Toward an Integrative Model of Strategic International Human Resource Management', *Academy of Management Review*, 21:4, 959-985.

Tempel, A. and Walgenbach, P., 2003, *Global Standardization of Organizational Forms and Management Practices? Combining New Institutionalism and the Business Systems Approach*. University of Erfurt, Erfurt.

Tempel, A., Edwards, T., Ferner, A., Muller-Camen, M. and Wächter, H., 2006, 'Subsidiary Responses to Institutional Duality: Collective Representation Practices of US Multinationals in Britain and Germany', *Human Relations*, 59:11, 1543-1570.

Thelen, K., 2003, 'How Institutions Evolve: Insights from Comparative Historical Analysis', in Mahoney, J. and Rueschemeyer, D. (eds), *Comparative Historical Analysis in the Social Sciences*. Cambridge: Cambridge University Press, 208-240.

Thelen, K., 2005, *How Institutions Evolve. The Political Economy of Skills in Germany, Britain, the United States, and Japan*. Cambridge: Cambridge University Press.

Tolliday, S., Boyer, R., Charron, E. and Jürgens, U., 1998, 'Introduction', in Boyer, R., Charron, E., Jürgens, U. and Tolliday, S. (eds), 1998, *Between Imitation and Innovation: The Transfer and Hybridization of Productive Models in the International Automobile Industry*. Oxford: OUP, 1-19.

Traxler, F., Blaschke, S. and Kittel, B., 2001. *National Labour Relations in Internationalized Markets: A Comparative Study of Institutions, Change, and Performance*. Oxford: OUP.

Trompenaars, F., 1993, *Riding the Waves of Culture*. London: Economist Books.

UNCTAD, 1999, *World Investment Report: Foreign Direct Investment and the Challenge of Development Overview*. New York: United Nations.

UNCTAD, 2000, *World Investment Report: Cross-border Mergers and Acquisitions and Development*. New York: United Nations.

Vo, N., 2004, *The Interaction of Home and Host Country Effects in a Low Power Host Environment: The Case of Industrial Relations and Human Resource Management in US and Japanese Multinational Subsidiaries in Vietnam*. Unpublished PhD thesis. Leicester: De Montfort University.

Wächter, H., Peters, R., Ferner, A., Gunnigle, P. and Quintanilla, J., 2006, 'The Role of the International Personnel Function', in Almond, P. and Ferner, A. (eds), *American Multinationals in Europe: Managing Employment Relations Across National Borders*. Oxford: OUP, 248-270.

Walton, R., 1985, 'From Control to Commitment in the Workplace', *Harvard Business Review*, March/April, 77-84.

Weiss, R. S., 1994, *Learning from Strangers. The Art and Method of Qualitative Interview Studies*. New York: The Free Press.

Whitley, R., 1992, 'Societies, Firms and Markets: the Social Structuring of Business Systems', in Whitley, R. (ed), *European Business Systems Firms and Markets in their National Contexts*. London: Sage, 5-45.

Whitley, R., 1999, *Divergent Capitalisms: The Social Structuring and Change of Business Systems*. Oxford: OUP.

Wong, G. Y. Y. and Birnbaum-More, P. H., 1994, 'Culture, Context and Structure: A Test on Hong Kong Banks', *Organization Studies*, 15:1, 99-123.

Yazıcı, E., 1996, *Osmanlı'dan Günümüze Türk İşçi Hareketi (Turkish Labour Movement from the Ottoman Empire Times to the Present)*. Ankara: Aktif.

Yin, R. K., 1994, *Case Study Research*. London: Sage.

Yuen, E. and Kee, H. T., 1993, 'Headquarters, Host-Culture and Organisational Influences on HRM Policies and Practices', *Management International Review*, 33:4, 361-383.

Yurtoğlu, B. B., 2000, 'Ownership, Control and Performance of Turkish Listed Firms', *Empirica*, 27:2, 193-222.

Zysman, J., 1983, *Governments, Markets, and Growth: Financial Systems and the Politics of Industrial Change*. Ithaca: Cornell University Press.

APPENDIX 1. ACCESS LETTER SENT TO MANAGERS

Dear Madam/Sir,

Re: Human Resource Management in American Multinationals in Turkey

I am a full-time instructor at the Faculty of Business Administration, Bilkent University, Ankara, Turkey *and* a doctoral candidate at the De Montfort University, Leicester, United Kingdom. My doctoral research is titled “Transferability of Human Resource Policies and Practices: American Multinationals in Turkey”. The focus of my research is how American firms manage their workforces within the distinctive Turkish business context, and the findings are to be of interest to participating firms as well as to the academic community.

In this research, my interest is primarily in understanding how American companies design, transfer and apply their international employment policies and practices to their subsidiaries in Turkey. I am particularly interested in the way in which common corporate policies are transferred and, if necessary, adapted to the realities of the local Turkish business environment. Possible case companies were selected according to a number of criteria, including size, market share, industry, ownership structure and unionisation. There are no 'good' or 'bad' cases; choice was done to be able to see the possible influences of these various variables.

Most of the fieldwork in Turkey has been completed during Spring 2002 and Spring 2003 through around 6-8 in-depth interviews at each of the 8 ‘core’ case companies (in addition to numerous interviews at other companies totalling to 80 at the moment) typically with the senior HR managers and other functional managers, as well as general managers, where relevant and possible. To be able to develop the research into full perspective cases, interviews with the relevant managers at the sub-regional (Business Unit etc), regional (European, Emerging Markets, etc) and/or US headquarters are pursued. Interviews with senior managers at the subsidiary and regional corporate levels are significant to be able to grasp how policies are developed and transferred, in addition to triangulating data from various sources. Therefore research and interviews at both headquarters and subsidiary levels (divisional, European or corporate as appropriate) are being conducted.

In this research ethics is very carefully followed and no real names (of individuals and companies) are used; companies are anonymised to the extent possible. No information will be published without prior approval of the individuals provided information and published materials will be the thesis itself and any other scientific journal articles. Interviews, which are normally 1-2 hours, are taped with the informant's approval and transcriptions are sent for information and approval. No sensitive or confidential company information is asked for.

I hope you will kindly agree to help me in this research, which is still a rare occurrence in my country. I, my thesis supervisor Prof Ferner of the De Montfort University, and Bilkent University all take this research very seriously and devote quite a lot of time, effort and financial resources into it. It would be a significant contribution to international human resource management literature, as similar research from developing and underdeveloped countries is also very small in amount. My contact details are provided below, if you would have any further questions.

Very much looking forward to your interest and help in this research,
Yours sincerely,

K. Zeynep Girgin
Instructor,
Bilkent University
Faculty of Business Administration

APPENDIX 2. Notes for interview with senior Turkish HR Manager

** What does s/he see as the major current IR/HR issues in the organisation? In the sector? In Turkey?*

Personnel and IR

Role and responsibility

- Are responsibilities formally laid down? By whom?
- Reporting line?
- Division of labour between personnel & IR function and line managers

Relations between personnel function internationally

- Relations with corporate HR:
- Does the international product division have an HR function/role?
- Any contact with HR function in other subsidiaries, in Turkey (if any) –abroad?
- International (HR) committees, working groups:
 - how are they managed/ co-ordinated?
 - Role?
 - Policy making?
- Role of regional HQ in HR

** Is there a written manual of personnel policy and procedures?*

- Is it adapted from parent-company?
- What are the differences?
- Information collected by the HR e.g. turnover; costs; absenteeism; breakdown by gender, education etc.

Substantive HR issues

** How far does the parent company set a framework for the Turkish subsidiary's HR?*

For each issue:

1. Are there any central policies?
2. Are the Turkish any policies any different from other subsidiaries' policies? In what ways? Why?

3. Do HQ take an interest?
4. Do they know/ask what policies are?
5. Are new HR policy initiatives discussed with them?
6. Are policies permissive or obligatory?

Recruitment & Selection

Methods of recruitment

- for low-skilled workforce
- for highly skilled workforce

Extent of external recruitment

- Internal labour market model?

Senior managerial positions

- Recruitment methods?
- How is selection done?
- Role of the HQ: who controls the appointment of top-level managers?
- Extent of HQ involvement: approval?
- Use of expatriates in Turkey
 - Number of expatriates in Turkey? American and third-country-nationals (TCNs)?
 - Length of service in Turkey, i.e. long-term or short-term?
 - Role they play?
- Preference for expatriates or Turkish managers
 - if/for Turkish managers
 - a. Selecting those with a more 'American-like' mindset (more American vs. more Turkish)? How?
 - b. Acculturating in the USA/regional HQ?

Equal opportunities & diversity

- Is there an EEO policy?
- A diversity policy?
 - Gender (and ethnic?) diversity
 - Disability policy?
 - Breakdown of % women, disabled, ethnic minority etc
- Extent of HQ influence

Numbers & redundancy

- breakdown of staff numbers by grade, site
- average length of service

- turnover %
- handling of redundancy
- use of temporary/part-time staff
- any commitment to employment security

Training & Development

- For different groups of employees:
 - blue-collar
 - low-skilled
 - high-skilled/technical
- What kind of training?
- American style? What are the principles, priorities?
- Any set of standards, i.e. annual hours/days?
- How are needs assessed?
- HQ input and monitoring?

Management Development

- Is there a pool of international managers?
- How is talent/high potential ('hi-po') identified & developed?
- How are 'hi-po's monitored centrally?
- International management training programmes?

Performance Management & Compensation

Performance appraisal systems

- How is performance appraisal done?
 - By whom?
 - How many levels?
 - Which direction, i.e. only downward? 360 degree? etc.
- HQ involvement?

Compensation

- How is compensation determined for
 - a. blue collar workers?
 - b. managerial employees?
- Is compensation determination any different from the parent company applications?
- In what ways? Why?
- Performance related pay? ESOPs? Profit related?

- Comparison of the level of pay within the sector?
 - Any difference from that of domestic firms?

- How is compensation used for the retention of highly skilled & managerial workforce?

- Non-pay benefits: which ones are used? What is the main aim of using them?

- Company cars
- Company housing
- Health insurance
- Sports & recreation facilities?
- Symbolic long service awards?
- Family-friendly benefits?
- Crèche?
- Private pension plans?
- Mobile phones

Industrial Relations & Collective

Bargaining

Relations with the unions

- Union recognition/non-recognition?
 - Which unions?
 - History of IR in the company
- If the company used to be unionised, what were the
 - a. motives/reasons for non-recognition?
 - b. the process of de-unionisation?
- Are there any influences of the market/sector conditions on union de/recognition?
- Is the parent company unionised in America? In other countries?
- Role of the parent-company on IR

Collective bargaining

- What are the issues of collective bargaining:
 - pay
 - employment security
 - bonuses
 - vacation days

- shifts
- teamwork
- training & development
- Influence/Intervention of HQ on bargaining process and outcomes

Employee Communication, Involvement & Participation

Communication

- top-down: briefings, memos, newsletters
- staff surveys
- other?
- Corporate model of communication? Participation?
- Are the company applications any different from the parent company's? How? Why?
- What mechanisms are used for company communication & participation?

Employee Participation & Involvement

- how?
- in which issues?
- unions?
- corporate model?

Management control

- Long- vs short-term planning horizons
- Consideration of HR issues within the standard planning framework?
Corporate- vs division-wide

ANNUAL BUDGET

- Process: how is the budget set?
- Who does the business negotiate with?
- What sorts of targets, ie. bottom-line, market-share, growth?
- How is the budget performance monitored?
- Sanctions if not met?
- Are targets linked to remuneration?

HR/ER in the budget process

Labour costs/ productivity/ no's/training

- International authority levels
 - who approves:
 - expenditure/investment
are there standard ROI levels?
 - process of investment approval,
e.g. cost comparisons with other sites

- managerial appointments
- product ranges (are they standard?)
- export decisions

Information systems

- What HR/IR information is collected at corporate/divisional/regional HQ?
- Who collects?
- What do they do with it?

Work organisation

- Are there international principles (best practice), e.g.
 - teamwork, *Kaizen*
e.g. *how do project teams work?*
- benchmarking on comparable production sites elsewhere
- standard operating procedures eg, for production (standard times etc)
- quality standards and procedures

Best Practice

Management audit

-
- Is there a central audit unit (corporate or divisional)?
- What does it do (how, when, where, who)
- Transfer of practices between countries
 - Who monitors?
 - How transferred?
- Central (US) unit responsible?

- Productivity comparisons between plants:
 - Is comparison made of performance in different projects?

- Any areas of international standards
 - Standard operating procedures
 - Quality standards (e.g. ISO)
 - International productivity initiatives

'Americanness' of the company

* In what ways does American influence manifest itself?

APPENDIX 3. BENEFITS SURVEY

SOSYAL HAKLAR	VAR/ YOK	AÇIKLAMALAR & ÖZEL ŞARTLAR (örneğin, 'tüm çalışanlara'; sadece belli çalışan grupları için, mesela 'yöneticilere', 'üst düzey yönetime', 'satış', 'beyaz yaka', 'pozisyon ve/ya statü gereği', vb.; yada yaşa bağlı, örneğin, '50 yaş üstü yöneticiler'; yada 'yemekhane hizmetinin olmadığı yerlerde' veya 'sadece Genel Müdürlükte' veya 'sadece Fabrikada' vb)
Ücretsiz yemekhane / kafeterya		
Ücretsiz çay / diğer içecek		
Yemek fişleri ('ticket')		
Özel sağlık sigortası		
Hayat sigortası		
Bireysel Emeklilik Sigortası		
Holding Emekli ve Yardım Sandığı		
Ulaşım hizmeti		
Şirket arabası		
Cep telefonu		
Taşınabilir bilgisayar		
Yılbaşı Yemeği / Partisi		
Şirket pikniği / gecesi		
Spor tesisleri, klüpleri		
Kreş / Gündüz bakımevi		
Şirket ürünlerine indirim		
Düşük faizli kredi olanağı		
Yasanın öngördüğünden daha fazla yıllık ücretli izin		
Yıllık sağlık kontrolleri (Check-up)		
Ferdi kaza sigortası		
Üstün başarı ödülleri (maddi yada gayrimaddi) (lütfen açıklayınız)		
Uzun hizmet ödülleri (örneğin, 5, 10, 15 yıl, vs) (lütfen örnek veriniz)		
Avans çekme olanağı		
Evlenme ve doğum hediyeleri		
Şirket arabaları ve diğer eşyaları indirimli satın alma olanağı		
Satış ekibinin yıllık gezileri		
Şirket hisse senedi satın alma programı (company stock given as bonus)		
Şirket hisse senedi opsiyonu programı (ESOPs)		
Yukarıda listelenmemiş başka sosyal haklar (lütfen belirtiniz)		